Austria [illegible]	Indonesia [illegible]	Oman [illegible]	Bahrain [illegible]	Iran [illegible]	Philippines [illegible]
Belgium [illegible]	Israel [illegible]	Portugal [illegible]	Cyprus [illegible]	Italy [illegible]	Qatar [illegible]
Denmark [illegible]	Jordan [illegible]	S.Arabia [illegible]	Egypt [illegible]	Kuwait [illegible]	Singapore [illegible]
Finland [illegible]	Lebanon [illegible]	Spain [illegible]	France [illegible]	Lux [illegible]	Sweden [illegible]
Germany [illegible]	Malaysia [illegible]	Switz [illegible]	Greece [illegible]	Morocco [illegible]	Thailand [illegible]
Hong Kong [illegible]	Neth [illegible]	Tunisia [illegible]	Iceland [illegible]	Nigeria [illegible]	Turkey [illegible]
India [illegible]	Norway [illegible]	UAE [illegible]			

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,983 — Friday October 27 1989 — D 8523A

GERMANY
Reunification back on the agenda
Page 2

World News

Sanctions halt $10bn in loans for China

Western economic sanctions imposed against China after the June massacre of peaceful demonstrators in Peking have started to bite deeply into the country's trade and economy.

Chinese officials said an estimated $10bn of loans had been suspended and no negotiations were taking place for new official borrowing. Page 26

RAF officer shot
An RAF corporal and his one-year-old child were shot dead in West Germany, a British Forces' spokesman said.

Indian opposition
India's opposition parties boosted their electoral chances by reaching broad agreement on putting up a single candidate against the ruling Congress party in most key constituencies. Page 26

Soviet miners vote
Thousands of Soviet coalminers are to vote this week in the Donbas coalfield on whether to defy the law and strike in protest at the Government's failure to meet their demands. Page 3

Krenz builds bridges
The East German leadership held its first talks with prominent members of the New Forum opposition.

Nicaragua denial
Nicaragua rejected charges made by the Honduran military that it was shipping arms to left-wing Salvadorean rebels.

Irish attack outpost
Irish nationalist guerrillas attacked a British army outpost in Northern Ireland with mortar bombs fired from a tractor.

Police raids in SA
Police raided apartment blocks in Johannesburg and arrested about 180 blacks living there in defiance of apartheid race segregation laws.

Lome request relief
African countries will press the EC this weekend to write off their foreign debt and roll back trade barriers during a meeting of the Lome trade and aid convention in Nairobi. Page 8

Refugees to move
Hong Kong is to move a group of Vietnamese boat people from temporary accommodation in a drug rehabilitation centre ahead of a visit there by the Princess of Wales.

Abortion pill backed
Leading British doctors endorsed a French abortion pill, safer and cheaper than surgical alternatives, which anti-abortion campaigners have so far kept off the international market.

Iceland protests
Iceland formally protested to Britain over plans to build a nuclear waste reprocessing plant in Scotland.

Boeing 737 crashes
A China Airlines Boeing 737 with 56 people on board smashed into a mountain shortly after takeoff on a flight to Taipei. Page 4

Red See
Vatican announced a 1988 budget deficit of $43.5m down from the previous year's record total, but urged Roman Catholics to keep contributing.

Business Summary

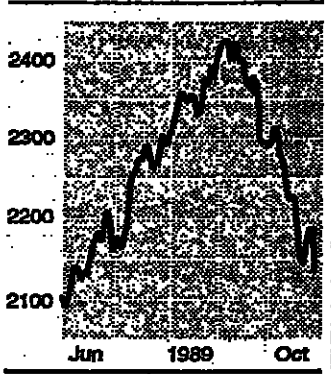
Indosuez buys 20% of Morgan Grenfell

BANQUE Indosuez announced it was buying the 20.4 per cent stake in Morgan Grenfell, City merchant bank, owned by Willis Faber, the insurance broker for £137.4m ($219m).

Morgan Grenfell responded coolly to calls by Banque Indosuez, the ninth largest French bank, to establish a partnership in European merchant banking. Page 27

FT-SE index fell in early trading and steadied before the recovery was wiped out by

FT-SE 100 Index



Wall Street's opening fall. The index closed 32.5 points down at 2,129.4. Markets, Page 41

INTERNATIONAL Tin Council bank and broker creditors finally lost their legal battle to force the Council's members to pay its debts. Page 26

US GNP: real gross national product rose at an unchanged annual rate of 2.5 per cent in the third quarter, according to the advance estimate from the Department of Commerce. Page 26

RENAULT: Sir Leon Brittan, European Competition Commissioner, proposed that Renault, French state owned car company, should repay in full FFr12bn ($1.92bn) of state aid that it was granted in 1988. The full Commission must endorse the proposal. Page 26

LIT Holdings: A breakdown in internal risk management procedures governing the activities of three options traders with positions in United Air Lines stock forced LIT Holdings, transatlantic financial services company, to say it expects losses in the second half of the year. Page 33

PHILIPS of the Netherlands plans to spin off about 20 per cent of Polygram, its record company subsidiary, in an equity offer that could raise Fl 1bn ($480m). Story and results, Page 30

NYSE: the SEC approved a new product and market structure developed by the New York Stock Exchange which will allow institutions to buy and sell the entire Standard & Poor's 500 Index in a single trade. Page 31

WEST German interest rates: inflation moved up again this month, just as the Bundesbank lifted key rates by a percentage point to counter over-heating.

COMPAGNIE de Navigation Mixte, French champagne to insurance conglomerate, opened its defence against FFr22.5bn ($3.6bn) takeover bid launched by Paribas.

US Car makers: Detroit's big three vehicle makers turned in sharply lower third quarter profits reflecting problems in the US market. Page 27

JAPANESE electronics: Hitachi, Toshiba and Mitsubishi Electric, largest integrated electrical and electronics companies, reported record interim profits, which highlight the continuing expansion of the industry. Page 29

QINTEX: Christopher Skase, entrepreneurial head of the TV and resorts group in Australia, insisted his besieged empire was solvent. Page 29

THATCHER APPOINTS JOHN MAJOR AS CHANCELLOR

Lawson quits Government

By Philip Stephens, Political Editor in London

MR Nigel Lawson threw Mrs Margaret Thatcher's Government into turmoil yesterday by resigning as Chancellor of the Exchequer over his differences with the Prime Minister on exchange rate policy.

In a move which forced a dramatic cabinet reshuffle, stunned Conservative MPs and raised questions at Westminster over Mrs Thatcher's long-term future, Mr Lawson effectively walked out of No 11 Downing Street.

In a curt letter to the Prime Minister, he said he could no longer serve as Chancellor while she retained Sir Alan Walters – a strong critic of Mr Lawson's advocacy of full British membership of the European Monetary System – as her personal economic adviser. Within two hours, Sir Alan announced his own resignation.

Mrs Thatcher immediately appointed Mr John Major, the Foreign Secretary, to replace Mr Lawson and the Government emphasised that its economic strategy would remain unchanged. Mr Major had served for two years under Mr Lawson as Chief Secretary to the Treasury and his appointment was seen as an attempt by Mrs Thatcher to emphasise the continuity of policy.

Hours later, Mr Douglas Hurd, the Home Secretary, was appointed to replace Mr Major, while Mr David Waddington, the Chief Whip, was appointed Home Secretary.

Amid tense scenes at Westminster, senior Conservative MPs counselled against panic. But they and Government ministers were acknowledging that Mrs Thatcher now faced perhaps the most difficult political crisis of her more than 10 years in office.

The resignation came against the background of the serious economic problems already facing the Government and with the Labour party holding a commanding lead of around 10 points in national opinion polls.

Yesterday, Mr Neil Kinnock, the Labour leader, said the events had shown that Mrs Thatcher was "no longer fit to be Prime Minister."

The immediate catalyst for Mr Lawson's resignation – discussed in four separate meetings with the Prime Minister yesterday – was Mrs Thatcher's refusal to disown a recently-published article by Sir Alan.

Sir Alan referred to the European Monetary System, into which Mrs Thatcher is formally committed to taking sterling, as "half-baked" and in the Commons yesterday the Prime Minister refused to be drawn into publicly disowning his views.

Despite knowing that Mr Lawson was on the point of resignation, Mrs Thatcher declined to sack Sir Alan or to repeat the Chancellor's statement earlier in the week that her adviser should refrain from any further public comment.

Instead, Mrs Thatcher merely insisted that it was the job of "advisers to advise" and the job of ministers to make policy, a statement which fell far short of Mr Lawson's demands.

But Mr Lawson's dramatic move – reminiscent of the decision by Mr Michael Heseltine, the then Defence Minister, to walk out of the cabinet in January 1986 but likely to have more far-reaching implications – was the culmination of a much more fundamental dispute with the Prime Minister over exchange rate policy.

He is the first Chancellor to resign from the cabinet since the then Mr Peter Thorneycroft left Mr Harold MacMillan's Government in 1957.

Mr Lawson – backed by many of his colleagues – has been seriously at odds with Mrs Thatcher since 1987 over his desire to take sterling into the EMS and the differences erupted into a public row in the sping of the following year.

Mr Lawson revealed his intense frustrations in the opening line of his letter to Mrs Thatcher yesterday: "The successful conduct of economic policy is possible only if there is, and is seen to be, full agreement between the Prime Minister and the Chancellor of the Exchequer."

Recent events had confirmed that "this essential requirement" could not be met so long as Sir Alan retained his position. Mr Lawson added that "I have therefore regretfully concluded that it is the best interests of the Government to resign my office without further ado."

In her reply, Mrs Thatcher spoke of her "profound regret" at his decision and Downing Street emphasised that she had sought to persuade him at each

Continued on Page 26

Samuel Brittan's viewpoint and profiles, Page 9

Lawson's letter to the Prime Minister

Dear Margaret, The successful conduct of economic policy is possible only if there is – and is seen to be – full agreement between the Prime Minister and the Chancellor of the Exchequer.

Recent events have confirmed that this essential requirement cannot be satisfied so long as Alan Walters remains your personal economic adviser.

I have therefore regretfully concluded that it is in the best interests of the Government for me to resign my office without further ado . . . Yours ever, Nigel

Gorbachev calls for nuclear-free zone in the Baltic

By Robert Taylor in Helsinki

PRESIDENT Mikhail Gorbachev yesterday turned aside from his domestic woes and moved to the centre of the diplomatic stage with a call for a nuclear-free Baltic Sea. He also announced that there were no tactical nuclear weapons on Soviet territory that could hit northern Europe.

In a bid to erect what he called the "northern wall and roof" of the "common European home," Mr Gorbachev said in a speech on the second day of his state visit to Finland that Moscow planned "a complete restructuring of the Soviet armed forces in the northern region during 1990."

"Already, he said, there were "no medium or shorter-range Soviet missiles in operational status in areas adjacent to the North of Europe. Soviet tactical nuclear systems are now deployed in areas from which they cannot reach northern Europe from any given site on Soviet territory."

The Soviet leader's statement amounted to a claim that Moscow is making rapid progress in the implementation of the 1987 US-Soviet treaty which bans ground-launched medium and shorter-range rockets.

His words also appeared to be indicate that there were no short-range missiles targeted on the sensitive Nato bases in northern Norway.

Speaking in the Finlandia Hall, scene of the signing in 1975 by 33 European nations of the Helsinki Final Act ushering in a new phase in East-West relations, the Soviet President declared:

"We are prepared to come to an agreement with all the nuclear powers and the Baltic States on effective guarantees for the nuclear-free status of the Baltic Sea."

He added that the Soviet Union had already taken two of its ageing Golf-class submarines out of operation and pledged to destroy the remaining four by the end of 1990. The nuclear missiles on board the submarines would also be destroyed, he said.

The non-nuclear zone idea seemed likely to receive a cool reception from the West, in common with previous Soviet calls to make nuclear-free some limited geographical areas.

In Murmansk two years ago, Mr Gorbachev called for a nuclear-free Nordic region.

Picture, Page 26

News stuns MPs, business

By Our Political and Industrial Staff

NEWS OF Mr Lawson's sudden resignation spread through the Palace of Westminster within minutes, leaving Conservative Members of Parliament visibly shocked – and their Labour Party opposition jubilant.

As the announcement was rushed out shortly before 6pm London time, one Conservative MP said: "I am not going to discuss it." Another said: "We are just shocked."

Mr Neil Kinnock, Labour Partyleader, said Mrs Margaret Thatcher was "no longer fit to run a Government."

Proceedings in the House of Commons were suspended after repeated attempts by the opposition to force a Government statement. Labour MPs sang the Red Flag triumphantly.

Mr Lawson never had a strong following among Conservative MPs but there was widespread support for the economic strategy he was following. One specialist on economic affairs said: "He was a very able man." That backing had probably warmed as Mr Lawson battled against both adverse economic statistics and the Prime Minister's economic adviser.

"Although he had been going through a rough patch, he had support from the party for the policies he was following," said one MP. His speech at the recent conference in Blackpool had been received raptuously.

Senior Tories were not prepared to calculate the destabilising consequences for the Government. "He was a highly skilled Chancellor," said one, who expressed "profound regret" at his resignation.

The rapid appointment of Mr John Major – a former Treasury minister – as Mr Lawson's successor, gave some assurance. "He was the best Chief Secretary we have had for many years," said a Conservative MP. "There is going to be no change in economic policy."

Among Labour MPs, the mood was described as "jubilant": Tribute was paid to Mr John Smith, Labour Party spokesman on the economy, whose opening speech in Tuesday's Commons debate on the economy was widely praised: "His speech clearly embarrassed the Chancellor enormously."

Mr Kinnock said the Government was now in "deep crisis." He said Mrs Thatcher would not let those she appointed to senior departments of state get on with their jobs.

He added: "When the Prime Minister failed to give real support to Nigel Lawson this afternoon, he really could not stay

Continued on Page 26

Sterling slides in New York despite support

By Simon Holberton in London and Janet Bush in New York

BRITISH financial markets were last night braced for a volatile day today after Mr Nigel Lawson's sudden resignation.

The reaction in New York last night to Mr Lawson's resignation was dramatically negative, and sterling was sold heavily against all currencies.

It fell up to six pfennigs against the D-Mark and three cents against the dollar, prompting repeated rounds of Bank of England intervention

Continued on Page 26
Lex, Page 26; World Markets, Second Section

Credit Lyonnais will control Thomson's finance division

By William Dawkins in Paris

THOMSON CSF, France's top defence and electronics company, is to sell majority control of its highly profitable finance division to Credit Lyonnais, the country's third-largest bank, in a share swap worth more than FFr5bn ($838m).

The deal will be the first link between two leading French industrial and banking groups. It will help Credit Lyonnais, which is controlled by the French Government, to boost its equity to comply with new capital adequacy rules proposed by the Bank for International Settlements and adopted by the European Community.

Mr Alain Gomez, Thomson CSF's chairman, has been seeking a bank partner in the belief that such a link would help the group compete against West German and Japanese counterparts, whose traditional close ties with large banks have brought them useful financial security.

The very success of Thomson CSF's five-year-old finance division has also attracted disapproval from the French banking establishment and official circles. They do not feel it appropriate for an electronics company to make well over half its profits from banking, say observers.

Credit Lyonnais will take just over 50 per cent of Thomson CSF Finance initially, in return for which the electronics group will receive almost 14 per cent of the bank, which is issuing new shares for the purpose.

Credit Lyonnais will lift its stake in Thomson CSF Finance to 80 per cent over the next three years in return for negotiable securities to be cashed by the electronics group, which is not planning to rise its stake in the bank.

The deal values the whole of Thomson CSF Finance, one of France's most profitable banks in terms of return on capital, at well over FFr10bn. This implies that the extra Credit Lyonnais share purchases could bring around FFr3bn cash to the electronics group.

The link is due to be cleared at board meetings of the two state-controlled companies next Monday and also needs the consent of the Bank of France.

It would leave Thomson CSF, which is the 60 per cent owned subsidiary of the Government-owned Thomson group, as the biggest single shareholder in Credit Lyonnais, after the state. The only other major stake is held by the Caisse des Dépots at Consignations, the government savings institution, which took 6 per cent of Credit Lyonnais for FFr1.5bn early last month, in another attempt to bolster the bank's capital base.

Thomson CSF believes the transaction will have very little impact on its profits, since income lost from the disposal should be made up by Credit Lyonnais dividends. It argues that the main benefit will be to provide security for Thomson CSF Finance against future banking risks it might incur as it continues its fast growth.

MARKETS

STERLING
New York close:
$1.575
London:
$1.6125 (1.6095)
DM2.965 (2.9625)
FFr10.0625 (same)
SFr2.5925 (same)
Y228.50 (228)
£ index 90.1 (same)

GOLD
New York: Comex Dec
$375.4 (372.3)
London:
$369 (368.75)

N SEA OIL (Argus)
Brent 15-day Nov
$18.575 (−0.45)

Chief price changes yesterday: Page 27

DOLLAR
New York close
DM1.841
FFr6.2525
SFr1.613
Y141.12
London:
DM1.838 (1.8405)
FFr6.24 (6.2525)
SFr1.608 (1.6115)
Y141.65 (141.6)
$ index 69.5 (69.3)
Tokyo close: Y141.90

US LUNCHTIME RATES
Fed Funds $8\frac{11}{16}$%
3-mo Treasury Bills: yield: 7.835%
Long Bond: $102\frac{31}{32}$
yield: 7.880%

STOCK INDICES
FT-SE 100:
2,129.4 (−32.5)
FT Ordinary:
1,720.5 (−31.4)
FT-A All-Share:
1,075.51 (−1.3%)
New York latest:
DJ Ind. Av.
2,620.90 (−32.38)
S&P Comp
340.14 (−2.36)
Tokyo: Nikkei
35,678.49 (+236.09)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{32}$% ($15\frac{1}{16}$)
Liffe long gilt future:
Dec $93\frac{27}{32}$ ($93\frac{31}{32}$)

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COMMODITIES, Page 40, EQUITIES Pages 41 (London), 49 (World)

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Bhutto caught in struggle against the political tide

When a husband cheats on his wife they say she is usually the last to know. So it was with Pakistan's Benazir Bhutto when her coalition partner joined forces with the opposition
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THE FUTURE OF THE GERMANIES

Reunification question back on the agenda

West Germany and its allies speak publicly in favour of reunification. In private however, many are not so sure. FT writers assess the prospect of ending four decades of partition

WHEN Mr James Baker met Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Wyoming last month, the US Secretary of State disclosed afterwards that they had conferred in some detail about the "German Question". Observing the sensation he was causing among German journalists, he added enigmatically: "Those talks had better remain confidential."

That ancient Question has rebounded this autumn onto the political agenda, both within and outside the two German statesformed by post-1945 partition.

The basic question over Germany's borders goes back to the Middle Ages. Is peace and stability in Europe best served by having one German state, or several fragmented ones, straddling the centre of the continent?

The three Western war victors, the US, Britain and France, all formally pledged in the post-war period that they want German unity.

In the 1955 Deutschlandvertrag – the treaty giving back West Germany sovereignty in return for its membership of Nato – the allies proclaimed (with Bonn) "a common aim of a reunified Germany enjoying a liberal-democratic convention like the Federal Republic, and integrated within the European community (with a small c)".

Quietly but firmly, the West German Foreign Ministry makes sure it that its partners never lose sight of that pledge.

Its chief, Mr Hans-Dietrich Genscher, never forgets it. He speaks enigmatically about "new forms of co-existence" between the Germanies; and as a first step he hints at the joint shouldering of administrative tasks such as environmental protection, transport and postal services.

For most of its history the Federal Republic and its allies have been travelling along the same diplomatic road; if their ultimate goals were different, it did not matter because the journey seemed infinitely long.

Now some of the convenient formulae behind which both Bonn and its partners used to hide – those which speak of the complementarity of European integration and German unity – will no longer serve to mask differences of priority.

It sometimes looks as though the non-German members of Nato and the EC back West European integration because it "anchors" the Federal Republic and makes unity non-threatening in the not especially desirable event of it being achieved; while Bonn favours European integration because it makes unity seem non-threatening *and therefore feasible.*

There is one thing that all parties to the German question – including the Soviet Union, and both German governments – have in common: an interest in keeping the pace of change manageable.

The wild card that could upset the efforts of all sides to ensure this is German public opinion, on both sides of the frontier.

In a sense it is also Bonn's strongest card. The current government can argue, to devastating effect, that it has no intention of downgrading its obligations to the West for the sake of building bridges to the East – but, unless the West shows due sensitivity, the Germans will elect a government that has exactly that intention.

President George Bush appears to understand better than some other Western countries that Germany-bashing is not an option. He told the New York Times this week:

"I don't see Germany, in order to get reunification, going off onto a neutralist path ...at odds, or potentially at odds with their Nato partners."

The clear implication was that the best way of pushing Bonn down that path was to accuse it prematurely of tip-toeing towards it.

Western allies ambivalent

By Our Foreign Staff

UNTIL recently, German reunification was a safe ideal to proclaim. As long as the Soviet veto on German unity seemed immutable, the Federal Republic's friends could endorse it without worrying much about what it would mean in practice.

It is still far from clear that Moscow's veto has been lifted; while Mr Gorbachev has said, enigmatically, that "history will decide" the German question, he has dashed admirers' hopes that he will "give up" his German ally.

But events in Eastern Europe, and Bonn's evident preoccupation with them, are already forcing some well-buried contradictions to the surface and reviving atavistic fears of a German superpower.

While a remarkable 63 per cent of respondents to a French opinion poll said reunification would be "rather a good thing", older French people have not forgotten two world wars.

"There have always been unspoken feelings about German reunification," says Ms Anne-Marie Le Gloannec, a French political scientist. "Officially, everyone is in favour; in fact nobody wants it."

Ex-West German Chancellor Willy Brandt used to jibe that "The German question is a French problem"; and the French writer François Mauriac returned the compliment by saying: "I love Germany so much that I prefer to have two of them." Mr Giulio Andreotti, Italy's Prime Minister, caused a furore when as Foreign Minister in 1985, he noted that there were, in practice, two Germanies and added: "I think it could remain that way."

While their gut feelings may vary, there are some basic points on which West Germany's European allies agree.

They would all consider deeply unwelcome any hint that Bonn was prepared to pursue unity at the expense of West European and Atlantic ties. There is also clear understanding of the danger of provoking Bonn in that direction if its friends fail to show understanding of its concerns.

President François Mitterrand is adamant that the right thing is to stay calm, and not to give in to the old fears of a dominant Germany. His advisers dismiss almost with contempt the predictions that Germany is "slipping away".

And they insist that the right response is to strengthen the EC. France cannot predict how the German question will evolve, "but in every case, our answer is Europe," says one presidential aide.

Among "anti-European" Britons, there is a temptation to make a tactical alliance with those Germans who favour freezing closer EC integration while events in east Europe work themselves out.

The Prime Minister herself has not yet succumbed to that temptation – in public. But Mr Enoch Powell is eagerly pointing the way, and Mr John Biffen is edging in that direction.

Neither is close to Mrs Thatcher, but they belong to a strand of Tory thought – emphasis on British sovereignty – to which she is susceptible.

Despite its strong Europeanism, Italy is far from unsympathetic to Bonn's interest in building bridges to the East. Indeed, closely watched by the Germans, it is doing some bridge-building of its own.

Searching for forms of co-operation which would bring the two halves of Europe closer without upsetting the security balance, Rome is inching towards new ties with Yugoslavia, Hungary and Austria.

The ideological gulf underpinning partition

By Bruce Clark, Leslie Colitt and David Goodhart

IN SITUATIONS where powerful emotions run up against harsh realities, politicians become masters of the paradox.

Germany's partition is no exception: the parties on both sides of the border have evolved a corpus of theory on the National Question that would do credit to a scholastic theologian.

Almost by definition, there can be no German politician who does not regard unification as desirable in certain circumstances.

Even the East Berlin regime, which abandoned its blandishments to the West in the early 1960s and has since concentrated on consolidating partition, would presumably welcome the Federal Republic with open arms if its citizens were to undergo a miraculous conversion to Communism.

But in practice, the regime does not expect this happen; and it repeatedly asserts that capitalism and socialism can no more be mixed than fire and water.

That explains why, since 1964, East Germans have had to hum their national anthem – rather than sing the embarrassing words: "Resurrected from ruins and facing the future/ United Germany, our Fatherland, let us serve you well."

The problems faced by West German policy-makers resemble those faced by any policeman dealing with a hostage-taker: how do you help the captive without unduly rewarding the captor?

Anything Bonn can do to ease the effects of partition, by facilitating cross-border contact, involves dealing with, and thus legitimising, the Eastern regime.

Broadly, the further right you go in Bonn's political spectrum, the greater the stress on the principle of unification, and the greater the caution about dealing with East Berlin; though the personal diplomacy of Bavaria's late leader Franz Josef Strauss was a striking exception to this.

At the other extreme, leftist Social Democrats like Mr Egon Bahr openly call for talk of reunification to be dropped – not because they are indifferent to rapprochement between two Germanies, but because they are so keen on it.

In practice, the main parties' policies have converged. It was the Social Democrats who 20 years ago forged *Ostpolitik*: negotiation with East Berlin, co-operation on humanitarian and practical issues, economic aid, and pressure for reform. And it was a Christian Democrat-led government that welcomed Mr Honecker to the Federal Republic in 1987.

From a non-German perspective, it is hard to avoid the conclusion that economic aid from Bonn has boosted the Communist regime; but on the other hand the practical fruits of *Ostpolitik*, notably greater freedom to travel, have arguably fuelled dissatisfaction among East German citizens.

Indeed the current crisis may reflect the fact that this part of *Ostpolitik* is working too well, bringing results at pace faster than either side can cope with.

The crisis has certainly sharpened the dilemma faced by the Social Democrats (SPD), who not only favour government-to-government dialogue with East Berlin, but also maintain party-to-party contacts with the East German Communist Party (SED).

The SPD is suddenly vulnerable to charges that its keenness on channels to officialdom (throughout Eastern Europe, not just East Berlin) has led it to place too much emphasis on stability and not enough on reform.

The Christian Democrat's General Secretary, Mr Volker Rühe, has accused them of being soft on their Communist pals.

And thin the SPD, younger figures like Mr Norbert Gansel suggested that the old idea of promoting *Wandel durch Annäherung* (Change through Rapprochement) be abandoned in favour of *Wandel durch Abstand* (Change through Standing Apart.)

The high point of SPD-SED ties came in 1987 with the signing of a joint paper which mainly dealt with disarmament but also committed the SED to some political reform.

The SED's failure to keep its promises had created a more critical attitude inside the SPD even before recent upheavals.

East German experts within the SPD such as Mr Harry Ristock continue to emphasise that reform has to come through the SED or the official trade unions. But there is also more readiness to talk with unofficial groups inside East Germany.

Those groups are also confused over reunification. They have long dodged the issue: either because it would give the regime a stick to beat them with, or because they genuinely do not regard capitalist West Germany as an attractive model.

But the East German protest leaders, like everyone else, are having to adjust to a situation where tens of thousands are voting for the West with their feet – and those that remain are uncompromising in their call for self-determination.

Economy would grow – but not by much

By David Goodhart in Bonn

FEARS of a West German takeover of the shattered economies of Eastern Europe are exaggerated, according to one of Mr Helmut Kohl's closest advisers.

"Just look at Poland. There's a lot of talk but what are our companies actually doing? Virtually nothing. They sit there and expect the state to take all the risk, while they sweep up the profit," he says.

But what if West Germany's economic might was to be combined with East Germany's trading channels further east? Analysts in Bonn, speculating about a possible "merger" of the two economies, believe that the new eastern orientation of a combined German economy could be the most significant long-term effect of such a merger.

In the short run any such merger would probably be a drag on the West German economy, already the strongest in Europe, as it poured capital and management into the renovation of East Germany. But although the differences in size and quality of output are enormous, the similar structures of the two economies would make an easy fit and in some sectors East Germany could actually bring something to the party.

East Germany's population, 16.6m, and GNP, DM270bn (£91bn), are both smaller than those of the West German state of North Rhine Westphalia. But the strengths of West Germany (population 61m, GNP over DM2,000bn) in investment goods and chemicals are mirrored in East Germany, albeit at a considerably lower level of sophistication. East Germany is often described as the "West Germany of the east bloc".

The combination of West German technology and management could turn the relatively strong East German sectors – optics, printing machinery, textile machinery, some electronics, shipbuilding – into world-beaters.

Assuming the merger led to the doubling of East Germany's GNP within 10 years, before stabilising at the West German level, the combined economy would be about one-seventh larger than the current West German economy. But fears of an economic giant in the heart of Europe, stemming from such a merger, are misplaced: there already is such a giant and it is called West Germany.

WHAT THEY SAID . . .

"For the time being, no central German government shall be established... During the period of occupation, Germany shall be treated as a single economic unit." – Potsdam conference communique by the US, Soviet Union and Britain, August 1945.

"Millions of other Germans...are still forced to dwell, separated from us, in thraldom and lawlessness. We shall not rest until you too have regained your human rights and live peacefully with us in one state and as one nation." – Konrad Adenauer, 1955.

"The Bonn government has clearly given up on any kind of peaceful reunification...Commentators and philosophers are being mobilised to prove that reunification of Germany in democracy and freedom is neither necessary nor desirable." – Walter Ulbricht, 1960.

"I would say that, at some time over the next century, the East and West Germans will live under one roof...Statistically, power constellations do not last very long. Look at the aftermath of the Congress of Vienna. How long after 1918-19 did the Versailles Treaty last? How long will the system set down at Potsdam last?" – Helmut Schmidt, 1988.

Poles' sinking feeling of 'inevitable' unity

By Christopher Bobinski and Judy Dempsey

GERMAN unity will always be a sensitive subject for the Poles. Not just because of bitter historical memories; some also feel that if reforming Poland has been allowed a free rein by Moscow, it is partly *because their country is* divided from the West by a safe buffer – orthodox East Germany.

The old Communist establishment always stuck firmly to their East German comrades' line on the obstacles to unity.

But in recent weeks some top figures in Solidarity have advocated a complete reversal of Poland's position.

Both Mr Bronislaw Geremek, Solidarity's parliamentary leader, and the newspaper editor Mr Adam Michnik now support the idea of a united Germany; they argue that since their movement backs "self-determination" for the Polish people, it should also assert the same right for the Germans.

Chancellor Helmut Kohl was sufficiently impressed by this change of heart to make it a major theme of a recent speech.

But Mr Janusz Reiter, an able young commentator on German affairs, speaks for many top Solidarity officials when he argues for greater caution. Poland, he says, should first support the reformers in East Germany, whose first aim is domestic reform, not unity.

Mr Reiter's view that Poland should not go out of its way to hasten German unification is shared by the new Solidarity foreign minister, Mr Krzysztof Skubiszewski, and the Prime Minister Mr Tadeusz Mazowiecki.

Many Poles combine an instinctive fear of German unity combined with a sinking feeling that it is inevitable.

Hungarian officials take a subtler view. They do not see the outright *removal* of the inner-German border as inevitable; but they take a Genscherist line on how a progressive improvement in East-West relations might make that, and other, European borders progressively more permeable.

The stress should be on making borders irrelevant, not on redrawing them, argue officials in Budapest. And they suspect that Bonn may feel the same way.

Bonn strains at the Brussels anchor

By David Buchan and David Goodhart

Broader or Deeper? Deeper first, and only then broader? Or not too deep, for fear of making it harder to broaden?

These are the metaphors in which an increasingly overt dispute between two theories of the EC is being conducted.

One camp, led by Mr Jacques Delors, the Commission President, stresses the need for the existing 12 members to intensify co-operation in all spheres: not just economics, but social policy and ultimately defence.

The other view, apparently gaining ground in Bonn, is that the EC should avoid taking any steps that complicate the building of bridges to the East; and if that implies slowing the pace of integration, so be it.

Bridge-building appears to mean full EC membership for Austria; closer co-operation with Hungary and Poland, leading to their participation first in Efta, and later – Mr Genscher says – in the EC; and generally the creation of a climate in which East-West divisions (and hence the division of Germany) are easier to transcend.

Battle lines are blurred by proclamations from Bonn and Brussels that German unity and EC integration are complementary goals. But the split is clear enough.

Mr Delors may have abandoned some of his former zeal for getting the EC involved in defence; but he still appears reluctant to see that option foreclosed either by Austrian membership, or by German-led preoccupation with the East.

He fears that Bonn is making the opposite calculation; that it will start to judge every bit of EC policy by whether it makes "bridge-building" harder or easier – and will therefore veto any security dimension for the EC.

This has been the theme of his last three public speeches. In Bonn recently, he argued passionately that "the EC can play its part in reopening the Brandenburg Gate, but it must be strong to do it."

The Commission President is an articulate advocate of an old theory – long proclaimed by Mr Genscher – that Bonn needs a firm Western anchor before sailing into eastern waters.

More tenuously, Mr Delors maintains that a "strong" EC, well-placed to re-integrate lost Eastern cousins, requires common economic and social policies.

Such arguments are unlikely to sway Bonn as its spells out its views on a common social policy (strongly in favour) or monetary integration (cautiously in favour); any more than the Polish workers pouring into Berlin worry much about EC directives on health and safety.

But Mr Delors needs plenty of German government time in the seven weeks before the Strasbourg summit, when he will try to bounce the Twelve into accepting a conference on monetary union next year; and he worries that too much of Bonn's attention is taken up with points east.

And undeniably, the idea that the EC must remain "open" to its eastern neighbours has been a persistent theme of recent speeches both by Mr Genscher and by Chancellor Helmut Kohl.

But there are also differences within the Bonn coalition.

An official close to Mr Kohl is scathing about Mr Genscher's suggestions of Poland and Hungary joining Efta or the EC. The Chancellor's aide instead proposes something Brussels may find equally provocative: an "East German" solution for the two reformist Comecon states, in other words free movement into the EC for its goods.

Meanwhile Mr Genscher's latest comments, made to Die Zeit, read like an attempt to smooth ruffled federalist feathers.

On EC enlargement, he said Austria knew of the Community's foreign and security policy dimension, and would have to accept it; he stressed that he "could not imagine...a member of another alliance joining the EC"; and he did not mention the widening of Efta.

But both the Foreign Ministry and Chancellor's office argue that the EC should make arrangements with the "semi-socialist" states of Eastern Europe at least as favourable as those it has made with the Lome or Asean states.

Mr Delors would probably counter that the Commission is doing precisely that – not only by making several bilateral agreements with East European states last year, but also in its new role as co-ordinator of policy towards Poland and Hungary among the Group of 24 nations.

The "deeper-versus-broader" dispute is unlikely to have winners because such is the pace of events that both sides are aiming at a moving target. The one assertion by Mr Delors that no German official would question is that "history is accelerating, and so must we."

EUROPEAN NEWS

Milosevic builds up his bastions in isolated Serbia

By Judy Dempsey in Belgrade

BELGRADE IS enjoying yet another Indian summer. Despite the inflation, now running at 1,000 per cent a year, many of the city's inhabitants are out lolling on the cafe terraces in the warm sunshine. Except for Mr Slobodan Milosevic, the president of Serbia.

Mr Milosevic, who is hardly shy about making populist speeches, has not been seen in public for several weeks, apart from a few appearances at the Serbian and federal assemblies.

Some Yugoslavs say he is "thinking." But, in fact, Mr Milosevic has been has been hard at work in the past month, making sure that "reliable" people are returned in the republic's local and state elections which are being held several months ahead of schedule.

For instance, Mr Rados Smiljkovic, the conservative boss of the Belgrade party, one of the most important in the country, was recently elected for a second term. Mrs Mirjana Milosevic, the president's headstrong wife, was elected to the city's party presidency, and is likely to take over the ideological committee.

Belgrade's unreconstructed Socialist Alliance of Working People, a party-backed umbrella movement, is firmly in the hands of Mr Zoran Todorovic, who works hand-in-hand with the Belgrade party. Like the latter, the SAWP believes in pluralism in the party, but not multi-party pluralism.

The idea behind holding the elections in Serbia earlier than planned is linked to amendments to the federal constitution. These will probably advocate greater pluralism both inside and outside the ruling League of Yugoslav Communists which would be reflected in future elections.

"The Serbian party and state, regardless of the amendments, are now preparing to have their own conservative people in power for the next four years. They will not have to worry about the amendments," was how one Yugoslav economist described the Republic's tactics.

However, Serbia, despite all its attempts at gaining influence in other republics, is now becoming increasingly isolated in the Federation. For example:

- It has no support in liberal Slovenia which last month amended its constitution aimed at strengthening its autonomy vis-a-vis the federal authorities.
- It has lost any support it had in Croatia, after the Serbian authorities instigated nationalist demonstrations there in the summer.
- After sending the Serbian secret service into the Republic of Bosnia-Hercegovina to investigate the emigration of Serbs from Bosnian villages, the party leadership in Bosnia now openly opposes Serbia.
- *The Macedonian authorities* reject Serbian plans to change legislation, enacted after the Second World War, which prevented Serbs re-colonising Macedonia. During the inter-war period, Serbs colonised Kosovo and Macedonia. In addition, the reform-minded youth movement in Macedonia strenuously opposes Serbia's rigid ideological outlook while the Macedonian Orthodox Church remains unrecognised by the Serbian Orthodox church.
- The leadership in Montenegro remains divided in its support of Serbia.

The republic's isolation is also compounded by the rising popularity of Mr Ante Markovic, Yugoslavia's (Croat) Prime Minister. Although he has been hesitant about tackling inflation since taking office last March, he has been preparing the ground.

Mr Milosevic has been hard at work in the past month, making sure that 'reliable' people are returned in the republic's local and state elections

For instance, the liberalisation of the banking system and of joint ventures aimed at attracting foreign investments, freer movement of capital and imports, and a healthy $5.5bn in reserves were enough to convince the IMF to approve a stand-by credit line to be granted next January. It also appears that in his recent visit to the US, Mr Markovic won support from political and financial institutions for his reform programme.

The upshot is that Mr Milosevic can neither match Mr Markovic's economic competence, nor his popularity, except by bringing the people out into the streets. But to what purpose?

The nationalist tension, engendered by Serbia, is not as sharp as it was a few months ago. Besides, even if Mr Milosevic were to accuse Mr Markovic of not introducing a "shock therapy" anti-inflation plan, the Serbian president has no alternative policies that would not risk alienating his supporters.

Thus, with such a shift in the Yugoslav political scene, Mr Markovic has been given a breathing space. But without substantial political reforms to ease his economic ones, he could run into trouble. That is why the emergency party congress, scheduled for next January, will be of crucial importance in demonstrating that there is, despite the formidable problems, some light at the *end of this dark tunnel.*

Lisbon acts on pensions and poverty

By Patrick Blum in Lisbon

THE PORTUGUESE Government is to launch an anti-poverty programme in January. Announcing the programme, Mr Anibal Cavaco Silva, the Prime Minister, said the Government would concentrate initially on alleviating "socially unacceptable areas of poverty" in the cities of Lisbon and Oporto. He also announced increases in pensions of more than 15 per cent from December 1.

Mr Cavaco Silva's Social Democratic administration is committed to liberal market policies and it has come under fire from the opposition and the trade unions for failing to act against social inequalities.

Mr Jorge Sampaio, the Socialist party leader, has warned of the dangers of a two-track nation, with the modern and richer sectors developing at an increasingly fast rate, while the poorer sectors fall further behind.

The minimum pension is to go up by more than 16 per cent from Esc14,600 (about £58) to Esc17,000 (about £67) a month. Other pension payments for agricultural workers, the disabled and subsistence will also be raised. The increases will benefit about 2.2m pensioners and cost Esc79bn, bringing the pensions bill to about Esc500bn next year.

Pensions failed to keep up with this year's near 13 per cent inflation rate, which is forecast at 9.5-10.5 per cent for 1990. Unions say the rises will only partially make up for cost-of-living increases.

The number of pensioners has risen rapidly in the past decade, but pension levels and wages remain among Europe's lowest. The minimum wage is about Esc31,000 a month for industrial workers and Esc28,400 for agricultural workers.

W German inflation rises again

By Andrew Fisher in Frankfurt

WEST GERMAN inflation moved up again this month, just as the Bundesbank lifted its key rates by a full percentage point to counter the effects of over-heating.

Provisional figures (based on returns from Bavaria, Hesse, Baden-Württemberg, and North Rhine-Westphalia) show the cost of living index was 3.3 per cent higher at mid-month than a year ago. In September, the rate was 3.1 per cent.

Economists generally expect inflation to remain at around 3 per cent next year, with overall economic growth slipping to 3 per cent from around 4.

While the latest strengthening of the D-Mark should help offset inflationary pressures, consumer spending will be buoyed next year by the final stage of the tax reform package, worth some DM25bn.

Also concerning the Bundesbank is next year's round of wage talks, especially after the reaffirmation by the powerful IG Metall trade union that it will press for a 35-hour week.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

Soviets and Finns agree five year trade deal

By Enrique Tessieri in Helsinki

FINLAND and the Soviet Union yesterday signed their ninth five-year bilateral trade agreement as well as a protocol of intent that sets the framework for the joint development in the so-called Kola project.

The trade accord will continue to be based on a clearing-house scheme with a provision for more flexibility if serious disruptions in trade occurs.

Presently, 10 per cent of all Finnish-Soviet semi-barter trade has been carried out on a hard-currency basis, and this is expected to increase.

"By mid-next year the rouble used in both countries' clearing-house schemes will most likely be changed to a convertible currency," said Mr Kari Holopainen department head of the Bank of Finland.

Finnish-Soviet trade incorporated a balancing mechanism in autumn 1988 that is included in the present accord. It is designed to safeguard trade from dramatic shifts in any side's favour as happened in 1986 when oil prices plummeted.

Most Soviet exports to Finland will continue to be dominated by oil, as in the past, while the great majority of Finland's annual export quotas have been registered as lump sums for the 1991-55 period in the accord.

Finland will also continue to export machinery and equipment to the USSR.

Another important agreement signed by both states is a protocol of intent to jointly develop the Kola Peninsula.

Although this long-range project includes a number of areas, Finnish companies such as Neste, Imatran Voima, Wartsila as well as the American Conoco and Norsk Hydro of Norway, are planning to sign a letter of intent with the USSR Petroleum and Gas Ministry to carry out a feasibility study to determine how to tap the enormous gas reserves in the Barents Sea.

Both Governments also signed 13 joint venture projects of which the most important is Enocell, a sizeable Soviet-Finnish paper and pulp mill to be built in Finland that will use raw materials from the USSR.

Donbas coalfield miners to vote on strike

By Quentin Peel in Moscow

TENS OF thousands of Soviet coalminers are to vote this week in the huge Donbas coalfield on whether to defy the law and strike in protest at the Government's failure to meet their demands.

The decision was announced yesterday as another wildcat stoppage – in the grim Arctic Circle mining district of Vorkuta – appeared to have petered out in the face of official denunciation, and the threat of a rail blockade.

The strike ballot is the latest indication of the miners' continuing militancy in spite of the apparent willingness of Mr Mikhail Gorbachev and the politburo to meet all their key demands when they went on strike in July.

Its outcome is very much in the balance, with a majority of the Donbas Council of Strike Committees actually voting against a strike before deciding to hold the ballot.

The strike leaders met in the Ukrainian city of Pavlograd, according to the official news agency, Tass. They heard a report from the official Miners' Trade Union central committee on the progress of negotiations with the Government and Coal Ministry.

However, in spite of their "dissatisfaction with the position of the ministry's leadership," only five of the 24 strike leaders voted to strike again, with 18 against and one abstention, Tass said.

The miners are angry about slow progress in changing their own mine managements and giving more autonomy to individual mines, as well as with the continuing poor supplies of consumer goods in the Ukraine coalfield. They also accuse the authorities of failing to give the strike committees themselves adequate recognition.

In Vorkuta, the miners went on strike with openly political demands, in addition to their anger at the mine management system. They were calling for the repeal of Article Six of the Soviet constitution – entrenching the leading role of the Communist party – and for a separation of power between the state President and the party leader.

However, reports from the town yesterday said that all nine pits which stopped work had gone back. Apart from official threats of action under the new law banning strikes in the mines, they were also persuaded by the threat of a rail blockade, cutting the only source of food and fuel in the region.

Another brief stoppage took place on Monday in Mezhdurechensk, the West Siberian mining town which first stopped work last July.

E German leaders talk to opposition

By Leslie Colitt in Berlin

THE East German leadership held its first talks yesterday with prominent members of the New Forum opposition as the country's lawyers' organisation called for major reforms of the legal system.

The talks took place only a day after Mr Egon Krenz, the new East German leader, said he was willing to talk with opposition groups.

Mr Günter Schabowski, the East Berlin party leader, met two founders of New Forum, Mr Jens Reich and Mr Sebastian Pflugbeil. In Dresden, the reformist party leader there, Mr Hans Modrow, and Mayor Wolfgang Berghofer organised a meeting with New Forum activists and other citizens.

Mr Reich said after the two-hour session with Mr Schabowski, a politburo member, that he believed the party was genuinely seeking a dialogue with the opposition.

He said Mr Schabowski had told them it was not his decision on whether New Forum would be legalised. But he hinted at a new law permitting street demonstrations and multiple-candidate elections.

The East German lawyers' organisation, meanwhile, called for a wide-ranging depolitisation of the legal system. The organisation, headed by Dr Gregor Gysi, a reform-minded lawyer and party member, said "crimes against the state" had to be thoroughly revised.

The lawyers criticised limitations on civil rights and noted that the independence of judges had "sometimes" been interfered with by party officials, a practice which should be abolished. The right of defence and the rights of the victims of offences needed to be strengthened, they said. The lawyers called for greater "transparency" in legal decisions and criticised "violations" by the security forces in quelling demonstrations earlier this month.

Detention centres should be taken from the control of the Ministries of Interior and State Security and given to the Justice Ministry.

The lawyers' organisation also called for a reform of police law to clearly define their power.

At a meeting of the Dresden City Assembly attended by opposition members and concerned citizens, Superintendent Christoph Ziemer of the Protestant Church handed over a report of 170 citizens who were victims of police brutality in recent demonstrations. Supt Ziemer called the report a "shocking, frightening document"

Three-tier currency system planned by Soviet Union

By Quentin Peel

SENIOR SOVIET officials indicated yesterday that the introduction of a new "tourist exchange rate" for the rouble – at one tenth of the official exchange rate – was the first step to a three-tier system.

The plan appears to include maintaining the official exchange rate (according to which one rouble is worth $1.60) for essential imports, having a hugely devalued rate for tourist dollars (and Soviet travellers) to prevent an excessive black market, and eventually introducing an intermediate commercial rate for non-essential imports, and possibly also for the promotion of new exports. Fixing an acceptable "commercial" rate is still a distant prospect, Western observers believe.

A spokesman for Gosbank, the Soviet state bank, confirmed yesterday that the new special exchange rate is intended only to benefit tourists, and penalise Soviet travellers. However, the 90 per cent devaluation, leaving the rouble worth only $0.16, will be available to any foreigner who brings foreign currency in cash and declares it on entry into the Soviet Union, he said.

Full details of the change will be spelt out today by Mr Viktor Gerashchenko, Gosbank's new chairman, at a news conference today.

Yesterday huge queues of intending Soviet travellers had built up at the special bank branch issuing hard currency allowances for foreign travel, hoping to get the official exchange rate before the new system comes into effect on November 1. At present, Soviet travellers are limited to a quota of Rbs200 in foreign currency at the official exchange rate, but now that amount will buy them less than $32.

The Gosbank official confirmed that the travel allowance would be raised.

Two days after the new system is introduced, Vneshekonombank, the official Soviet foreign trading bank, is planning to hold its first foreign currency auction for Soviet enterprises. Last bids and offers had to be submitted by yesterday.

There is still some doubt over whether the auction will go ahead, after previous attempts failed because of the enormous imbalance between supply and demand of foreign currency. Soviet economists believe that the excess demand would have resulted in an effective 20-fold devaluation.

The auction route is one path to fixing an eventual commercial exchange rate for the rouble, if a better balance between supply and demand can be found.

The other route is through the officially-fixed "co-efficients" for foreign currency transactions currently applied to all Soviet enterprises. The system effectively decides a differing price for foreign exchange for each industry, sector, or even region in the Soviet Union.

The 3,000-odd co-efficients now in force are set to be replaced next year by a common rate for all enterprises, amounting to a 50 per cent devaluation of the official exchange rate.

Dutch pact on coalition government

By Laura Raun in Amsterdam

THE Dutch caretaker Prime Minister, Mr Ruud Lubbers, is hoping to swear in a new Christian Democrat-Labour cabinet on November 4 – the anniversary of his first government in 1982 – following agreement by the two parties on a governing accord.

However, the sharing-out of cabinet posts has yet to be settled, and Mr Wim Kok, the Labour party leader, has still to decide whether he will serve, despite having led the negotiations with the Christian Democrats.

He is a leading contender for the post of Finance Minister in the 14-member cabinet, which will be Mr Lubbers' third administration.

The Christian Democrats shared power with the Liberals from 1982 until the general election two months ago when the Liberals, punished at the polls for toppling the Government over financing for an environment plan, lost too many votes to enable Mr Lubbers to form a stable parliamentary majority.

Mr Onno Ruding, the Finance Minister, who has cleaned up public finances over the past seven years, has indicated unhappiness with the lack of budget discipline in the governing accord.

Under the accord the Government would spend Fl 4.55bn on new policies, including the environment and social welfare. The budget deficit is to be shrunk to 3.5 per cent of national income by 1994. The tax burden will climb by 0.5 per cent.

Bulgarian police beat up ecologists

Bulgarian police kicked and punched leaders of the country's unofficial ecology group in a Sofia street yesterday and detained 15 others, Reuters reports from Vienna quoting eyewitnesses.

They said about a dozen plainclothes policemen stopped nine leading members of the unofficial Eco-glasnost group and dragged them into a curtained bus. Several were kicked and punched.

Later some 15 members, including its president Mr Petar Slabakov, were detained in a central Sofia park where they were trying to collect signatures for a petition urging greater public discussion of some of Bulgaria's industrial projects.

EC 'cash mountain' causes a quarrel

By David Buchan in Brussels

PROOF that European Community institutions can as easily quarrel about having too much money at their disposal as too little came yesterday when the European Parliament complained at being able to spend only a fraction of the potential Ecu 9bn (£6.25bn) budget surplus for 1990.

Giving a first reading to next year's draft budget, the Parliament yesterday voted to increase spending by Ecu 971m to Ecu 47.1bn. But, to its frustration, provisions of the 1988 budget reforms prevented the Parliament from dipping any further into the Community's new-found budgetary riches.

Underspending on EC farm production and export support, because of higher world prices, and larger-than-expected revenue, because of strong economic growth, combined to put the EC Council of Ministers' proposed 1990 budget of Ecu 46.1bn well below the absolute legal ceiling of Ecu 55bn.

However, the Parliament used its available room for manoeuvre by voting an extra Ecu 100m for what it knew would be a popular cause – aid for Poland and Hungary.

In his Wednesday speech to the assembly, President Mitterrand pronounced himself personally favourable to the 1990 Community budget contribution to the two East European countries being raised from Ecu 200m to Ecu 300m. But it is not clear that EC budget ministers will go along with this, when most of the Twelve are also making substantial extra bilateral aid available. The Parliament also voted an extra Ecu 185m for seven of their favourite "new policies" – ranging from some of Margaret Thatcher's *bêtes noires* like the Lingua foreign language programme and social policy, to funds to protect the EC environment.

Reversing the usual charge of the Council against the Parliament, Mr John Tomlinson, the British socialist rapporteur, accused the former body of "irresponsibility in accepting policies with financial consequences and not making proper funds available". He cited the example of the Lingua programme, which he said the Commission had proposed, and the Council had accepted, on the basis of Ecu 200m spending next year, but for which only Ecu 6m had entered into the draft budget.

Mr Peter Schmidhuber, the Budget Commissioner, pointed out that it was stupid to pour lots of money into new programmes in the running-in phase. But no serious ructions are expected in settling the 1990 budget before Christmas.

● Diplomats from the Twelve have broadly welcomed the new flexibility in the Commission's proposal to set only minimum, not absolutely fixed rates, for excise taxes on alcohol, tobacco and fuel.

But many said Brussels' revamped plans would still pose their countries considerable adjustment problems and UK officials described the Commission's rate-approximating efforts as neither necessary nor desirable.

OVERSEAS NEWS

De Klerk says apartheid reforms essential

De Klerk: looking ahead

BY PATTI WALDMEIR IN JOHANNESBURG

Mr F W de Klerk, the South African President, yesterday acknowledged that reforms to apartheid were essential to end the country's international financial isolation and to boost domestic economic growth.

"We recognise that credible constitutional reform has a very important role to play in ... the normalisation of South Africa's international *economic* relations and the development of a strong economy," he told a business conference in Johannesburg.

Mr de Klerk argued that punitive economic sanctions inhibited political change in South Africa, but at the same time he seemed to indicate a willingness to meet foreign *demands for change* rather than risk continued economic isolation.

Structural changes to the economy were needed to foster higher economic growth, reduce unemployment and lower inflation, he said, adding that unless the country's fundamental economic problems were dealt with "it will be very difficult to proceed with significant political reform."

Mr de Klerk congratulated South African exporters for their success in circumventing international trade sanctions.

The volume of merchandise exports had risen by 7.3 per cent in 1988 and a further 12.5 per cent in the first half of 1989, according to Mr Chris Stals, governor of the South African Reserve Bank (central bank), who spoke at the same conference.

Mr Stals noted that the surplus on the current account of the balance of payments for the third quarter of this year, on a seasonally adjusted and annual basis, was preliminarily estimated at R5bn to R6bn, a substantial improvement over the comparable figure of R2bn for the second quarter.

This should make it possible to reach the government's target of a R4bn surplus for 1989, he said.

"The balance of payments situation now seems to be much more comfortable than it has been for a long time," he concluded, noting that extreme pressure on foreign reserves experienced earlier in the year had eased. Net gold and foreign exchange reserves had increased in the third quarter *of 1989 for the first time since* the beginning of 1988, he said.

He added, however, that the need to generate large current account surpluses to service the country's $21bn foreign debt would continue to depress economic growth over the next four years, when an average annual current account surplus of R5bn would need to be maintained.

● The Government of the Transkei, one of the nominally independent black homelands created by Pretoria in the 1970s, says it is considering legalising the African National Congress (ANC) despite a continuing ban on the group's activities in South Africa.

A number of top ANC officials, including imprisoned ANC leader Mr Nelson Mandela, were born in the Transkei. Mr Mandela, who is a *member of the royal family of* the Thembu, a clan of the Xhosa tribe of the Transkei, maintains close links with tribal leaders in the homeland.

Guerrillas intensify fighting in Cambodia

FIGHTING intensified in four provinces of Cambodia this month as guerrillas attacked key areas held by the pro-Vietnamese government, the Thai Army spokesman said yesterday, AP reports from Bangkok.

Lt Gen Naruedol Dejpradiyuth said that before the next round of peace talks, the two sides *"will try to control more* areas and to attain the upper hand to increase their bargaining power."

He reported increased fighting *in the western provinces of* Battambang, Banteay Meanchey and Siem Reap and the central province of Kompong Thom.

He said that in the often fierce combat the guerrillas focused attacks on key routes 68 and 69 in the northwest and on Highway 6, which runs *from the northwestern town of* Sisophon to the area of the national capital, Phnom Penh.

Naruedol spoke at a regular news briefing at which *Major Gen Anusorn Krisanaserani*, the Army's secretary general, also appeared.

Maj Gen Anusorn said the guerrillas "have been able to *successfully launch offensives* in many areas while the (pro-Vietnamese forces) are trying to maintain important strategic positions."

He said the guerrillas "use the method of launching its offensive, seizing certain areas, and pulling back their forces, probably because they do not have enough forces to control the areas."

Maj Gen Anusorn said the fighting *is expected to intensify in the dry season starting* next month as the pro-Vietnamese army reinforced troops to try to recapture lost areas.

The most important guerrilla victory this month was the Khmer Rouge seizure of the gem-rich town of Pailin on Sunday.

The Khmer Rouge said that opened the way for an assault on the provincial capital of Battambang, Cambodia's largest city after the capital, Phnom Penh.

The Khmer Rouge army radio said on Wednesday the guerrilla group has set up a military committee to defend Pailin and to allow guerrilla forces to continue their advance.

The radio said the guerrillas had "set up a provisional military committee to defend and keep Pailin town. This is being arranged to allow our bigger forces to move ahead freely."

It said that once a political settlement to the war is reached, Pailin and other areas "liberated" by the Khmer Rouge will be placed under the provisional government that will organise an election.

The Khmer Rouge killed hundreds of thousands of Cambodians during the 1970s before it was ousted by Vietnam's invasion in late 1978.

It is the largest member of the three-party guerrilla coalition fighting the government installed by Vietnam.

Martial law in Peking may be ended soon

By Peter Ellingsen in Peking

CHINESE authorities have strongly hinted they may be about to end martial law in Peking. According to Yuan Mu, a government spokesman with close ties to Prime Minister Li Peng, martial law had only a "limited tenure in the capital" and "it seems *it will be lifted* before very long".

He said troop numbers in Peking had been reduced, and would continue to be so, but he declined to say precisely when the five month long army occupation would finally end.

Diplomats interpreted Yuan's remarks to mean the government was *feeling confident* enough to consider withdrawing the soldiers who have patrolled the city since tanks and automatic weapons were used to violently put down pro-democracy protests on June 3 and 4.

Since then, troops have maintained round the clock patrols on crossroads, and key locations, such as the radio and television studios, and rounded up thousands of people alleged to have taken part in what the Government claims was a "counter-revolutionary rebellion."

According to Zhang Jianmin, the deputy mayor of Peking, the capital had lost considerable revenue as a result of the democracy protests and imposition of martial law. He said tourist numbers were down from 1.2m last year to an expected 700,000 this year. Tourism revenue had fallen from $770m in 1988 to an anticipated $500m. Mr Zhang's estimates for this year seemed optimistic, and steeper losses in tourism are expected.

The justification for maintaining martial law has been an alleged threat to public order from so-called counter revolutionaries, but the Government appears to have *arrested all but two or three of* the nominated 21 student leaders and organisers of the independent workers' union.

Australian inflation climbs to 8%

By Chris Sherwell in Sydney

AUSTRALIA'S annual inflation rate, already significantly higher than those of its main trading partners, has surged back to the 8 per cent mark for the first time in two years.

Figures released yesterday by the Bureau of Statistics put the consumer price index for the three months to September 2.3 per cent higher than the previous quarter.

The Bureau pointed out that, on recalculated numbers up to the March quarter, when the basis of its computation was altered, yesterday's annual figure would have been *still* higher, at 8.3 per cent.

Despite the disappointing trend Mr Paul Keating, the federal Treasurer, said he stood *by his August budget forecast* for the fiscal year to June 1990 of an average inflation rate of 7.5 per cent.

The biggest contribution to yesterday's rise came from housing costs, caused by increases in mortgage interest rates and house prices, which accounted for more than one-third of the reported rise. Food added another one-fifth, and transport one-sixth.

In a separate development, *the Reserve Bank lifted its* rediscount rate to 18.0 per cent from 17.7 per cent.

The move followed Wednesday's tender for A$1bn (£500m) of 13-week and 26-week Treasury notes, and was widely expected.

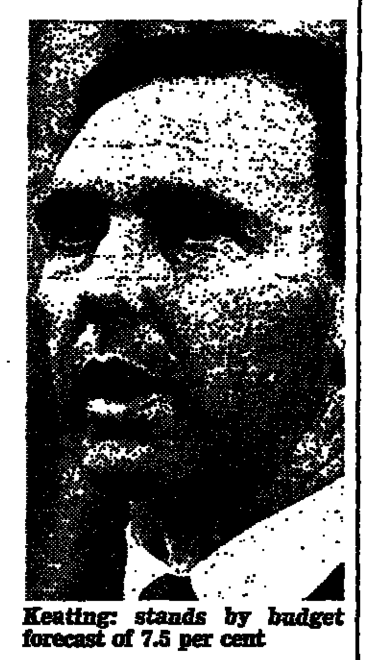
The rate indicates the price at which the Bank will *repurchase* Treasury notes from the market, and it has followed a trend which reflects the Government's relentless tightening of monetary policy. Back in *December 1987 it stood at 12.5* per cent. It was last at 18 per cent in August 1986.

Yesterday Mr Keating and Mr Bob Hawke, the Prime Minister, both reaffirmed that there was no scope for a relaxation of policy, while the opposition repeated its calls for a change in direction.

The markets rode out the developments which followed two other disappointments on Wednesday: a downgrading of *Australia's credit rating from* AA+ to AA by Standard & Poor's, and a disappointing current account deficit.

Analysts agree that the *paucity of good* news about the Australian economy augurs badly for the Hawke Labor Government, which faces a general election sometime *before mid-1990*.

Having made much of its economic management talents, Labor's circumstances are now looking steadily less propitious. But while the opposition Liberal and National party coalition has presented its alternative platform, it is still seeking to establish its credibility as an alternative government.



Keating: *stands by budget forecast* of 7.5 per cent

Alitalia ends Abidjan service as flight quotas row escalates

By Mark Huband in Abidjan

EUROPEAN airlines operating services to west Africa may be forced to pull *out following the* imposition of new limits on the number of flights and passengers, introduced to protect the ailing local carrier Air Afrique.

Alitalia has already decided to suspend its flights to Abidjan in the Ivory Coast, where the new limits have been introduced. The last of its twice-weekly flights to Rome leaves Abidjan today.

Amid claims that European airlines are "stealing" African airspace, companies operating services to Abidjan have been told to cut their flights to one a week and the number of passengers alighting at Abidjan will be limited to 100 per flight from November 1.

The ruling also affects Ethiopian Airlines and Aeroflot. European diplomats are expecting to see Ivorian Ministry of Transport officials today to lodge a complaint on behalf of three of the airlines – British Airways, Sabena and Alitalia.

They claim that because it is a unilateral action by the Ivory Coast it contravenes air service agreements, which have to be negotiated bi-laterally between governments.

It is expected that Swissair and Iberian Airlines will also be represented. In response to the Ivory Coast's ruling, Air Afrique was told on Monday that it was no longer permitted to operate flights to Rome.

The row with Alitalia could seriously damage the Ivory Coast's tourism industry. An estimated $30m is spent by up to 45,000 Italian tourists who visit the country annually.

British Airways is expected to retain its weekly flight at least until January *before considering the viability of the* route.

BA, which took over the route following the British Caledonian takeover in 1988, claims the bilateral air services agreement signed in 1978 allows designated carriers such as BA to have at least two flights if the other country's airline does not operate a service on the same route.

Air Afrique has no service to London, and BA was hoping to increase weekly flights to Abidjan from one to two later this year.

The row could seriously damage the Ivory Coast's valuable tourist industry

The Ivorian decision also cuts direct west African air links with Nairobi, east Africa's major business centre. Ethiopian Airlines, which operates nine flights a week between east and west Africa, is to move its operations to the Togolese capital Lome in response to the new restrictions, and passengers for Nairobi will be re-routed via Addis Ababa. Air Afrique's strategy of taking on European competition by forcing other airlines out of the region, was first outlined during discussion of a French rescue plan for the carrier earlier this year.

The former director general of the French overseas aid board the CCCE, Yves Roland-Billecart, was appointed the airline's director general in March following the French Government's decision to give $90m as part of a rescue and radical restructuring plan.

In a statement this week Mr Roland-Billecart said: *"France* represents 70 per cent of our market, and we don't want it to be pillaged by companies from other European countries who, under the pretext of liberty, pass through Paris to pick-up and deposit passengers to the detriment of Air Afrique, Air France and UTA."

The French business stake in Air Afrique is considerable with the private airline UTA holding a 28 per cent stake in the airline through its subsidiary *Sodetraf*.

Neither Air France nor UTA have been affected by the new restrictions. It is now expected that UTA may take-up some of the routes vacated by other European airlines. Air Afrique, with a fleet of only six passenger and one cargo aircraft jointly-owned by 10 Francophone governments in west and central Africa, cannot hope to replace the European services currently provided despite the considerable profits to be made particularly from tourism.

As part of the same restructuring plan unprofitable routes to the Middle East were abandoned earlier this year and 1,600 of its 5,600 staff will be laid-off by January 1990.

Mr Roland-Billecart also appealed for payment of unpaid capital subscriptions and tickets used by government officials from countries with a stake in the airline. Together arrears exceed $37m.

Airline crash in east Taiwan claims 54 lives

A *CHINA Airlines' Boeing* 737 crashed and burst into flames yesterday on a rain-swept mountain in eastern Taiwan, and all 54 people aboard were feared dead, *airline officials* and witnesses said, AP reports from Taipei.

The crash occurred near Chia Min, a village of about 2,000 people, five minutes after the plane took off from Hualien, officials said. The jet was en route to Taipei about 150 kilometers (93 miles) to the northeast.

All on board were Taiwanese except for one man identified only as a 41-year-old U.S. businessman from California, the airline said. China Airlines spokesman Lodge Lo said all 47 passengers and seven crew members were believed killed.

Airline officials had earlier said that there were 48 passengers aboard the aircraft.

Hualien police said about 130 rescuers rushed to the crash site, about 20 kilometers (12 miles) from the airport. By late night, they still had not reached the wreckage, which was accessible only by foot.

A witness, who identified himself only as Mr. Chang, told television reporters he saw the plane hit the mountain and explode into a huge fireball.

Chia Min police quoted rescue workers as saying they believed the fire had been extinguished by the rain.

"We still cannot figure out why the accident happened. The plane is only 2 years old and it was in good condition," Lo said.

The airline quoted Hualien control tower officials as saying they instructed the plane to turn right and fly over the sea, but the jet turned left over land instead. No explanation was given.

Iran hopes to end row with France

Iran said yesterday it was close to ending a damaging, $1bn dispute with France lasting a decade, Reuter reports from Paris. Mr Mahmoud Vaezi, Iran's Deputy Foreign Minister, said after three days of talks with French officials that Paris and Tehran had "agreed on the principle of solving the problem" and that a final agreement could be sealed next month in Iran.

Iran is seeking full repayment with interest of a $1bn loan *to France* made by the late Shah of Iran in 1974. France is claiming compensation for contracts revoked in the early days of the 1979 revolution.

Still loyal: supporters of Ms Bhutto marching in Islamabad

Bhutto caught in struggle against the political tide

By Christina Lamb

WHEN A husband cheats on his wife they say she is usually the last to know. Ms Benazir Bhutto's Government was similarly taken aback when on Sunday the opposition announced they were moving a vote of no-confidence against her supported by the Mohajir Qaumi Movement (MQM), her erstwhile coalition partner.

The West too seems to have been taken unawares by quite how drastically Ms Bhutto's support has fallen during her almost 11 months in office.

During the summer Ms Bhutto captivated television audiences and apparently heads of state as she swept through the US and Europe, every slip of her Islamic headscarf attracting popping cameras. But already things were going wrong at home. While ministers recounted with pride Ms Bhutto's standing ovation in the US Congress, Pakistan's large lower class, on whom she relies on for votes, were muttering about price rises of 40 per cent and openly wondering what had happened to the jobs and prosperity she promised.

While the West has been shocked by reports this week that Ms Bhutto may not last the year, those back home who take more account of where *their next meal is coming from* than the flattering remarks of US Senators, are unsurprised.

Last December when Ms Bhutto took office she was *hailed as Pakistan's best hope* to get the country out of the net of martial law. The beginning was certainly promising. Within a week she had released all political prisoners, and allowed opposition figures on television for the first time.

Today if the opposition succeed *in forcing new elections* Ms Bhutto can claim little to her credit but shattered hopes. Her much heralded bureau which was to provide jobs to all, has been disbanded after being turned into a vehicle for handing out party patronage. Her Information Minister has been removed for taking her freedom of the press policy too literally and nightly news rarely shows anyone outside her Pakistan People's Party (PPP). Newspaper editors complain of emotional blackmail and harassment of journalists.

Ms Bhutto came under more fire last week when she had her first political prisoner locked up. Supporters of the detainee, Mr G. M. Syed, aged 87, had burnt Pakistani flags at a rally in the southern province of Sind. Ms Bhutto, who comes from Sind, was thought last year to be the only person thought capable of preventing a secessionist uprising in the province like that which led to the break-up of Pakistan and creation of Bangladesh in 1971.

Ethnic violence between Sindhis, Mohajirs (migrants from India), Pathans and Punjabis, all of whom are locked in a battle for scarce economic resources, has worsened under Ms Bhutto.

Troops are on constant alert, separatist movements in Sind, such as that of Mr Syed, are on the rise and last month General Aslam Beg, the army chief, remarked that the army could solve the problem in hours, a statement many interpreted as a warning.

Ms Bhutto's well publicised drugs crackdown ended in farce when the man described by Mr Yusuf Lodhi, her narcotics adviser, as "the kingpin of the world's heroin trade" had to be released through lack of evidence.

Diplomats in Islamabad have been reluctant to criticise Ms Bhutto, arguing that she meant well but was hindered by conditions she was forced to agree to before taking office.

Ms Bhutto is certainly constrained by a debt-ridden economy, a harsh IMF agreement *and an overwhelming desire to* please the Americans to the extent of putting up with a policy on Afghanistan which *many consider untenable, and liable to leave Pakistan stuck* with nearly four million well-armed refugees for years to come.

Apparently her most trusted party members are too inexperienced for her to find a Finance Minister.

But it is hard to explain why she has failed to tackle the country's most pressing socio-economic problems, such as one of the world's lowest literacy rates (26 per cent according to the most optimistic figures), one of the highest birth rates (3.2 per cent), and a taxation system under which less than 1 per cent of the population are even registered. Rumours of her ministers' corruption and her husband's involvement in securing lucrative government contracts and licences have stuck.

More telling, perhaps; the parties that were allied with Ms Bhutto in the struggle for democracy are now backing the opposition against her.

Until Wednesday when the vote takes place it is hard to know whether Ms Bhutto will survive. The opposition's programme barely disguises the differences within the 11-party coalition.

It claims to have the backing of more than 130 of the 237 Assembly members – Ms Bhutto says she has at least 135. She may hang on but confidence in her will be severely shaken and elections seem inevitable.

UN refugee chief resigns after rows

BY Michael Littlejohns, UN correspondent, in New York

THE UN High Commissioner for Refugees, Mr Jean-Pierre Hocké, is to be replaced, following a series of incidents that have embroiled his agency and adverse reports on his conduct.

In accepting Mr Hocké's resignation, effective on November 1, the UN Secretary General, Mr Javier Pérez de Cuellar, said yesterday that Mr Gerald Hinteregger, the Austrian executive director of the UN Economic Commission for Europe, would become interim High Commissioner, pending the selection of a successor by the General Assembly.

Mr Hocké, a 51-year-old Swiss national, was appointed to the post in 1986, after having served as operations director of the International Committee of the Red Cross.

His tenure has been embroiled by controversy, including a bizarre incident early last year, when he ordered the burning of all 130,000 copies of the agency's magazine because it contained a critical article about West Germany, an important donor state that he was about to visit.

The Danish Government has begun an investigation into reports that a special fund it established for refugee education when the former Danish Prime Minister, Mr Poul Hartling, was High Commissioner had been tapped by Mr Hocké and his wife for first-class air travel at a time when the agency was making economies.

In his letter of resignation to Mr Pérez de Cuellar, Mr Hocké spoke of "anonymous and public attacks" over the last two years. He said the increased controversy crippled his capacity to fulfil his principal responsibility towards refugees in need.

'Mission impossible' for an Israeli captain of industry

Hugh Carnegy reports on progress being made by the man charged with reversing Zionist tradition of state ownership

"Mission Impossible" is how Mr Ze'ev Refua refers to the task that faced him when he was brought in from the private sector to take charge of Israel's privatisation programme.

Four years later, he has given himself another six months as head of the Government Corporations Authority to prove whether or not he can, after all, accomplish the "impossible" and in the process reverse a deeply entrenched tradition of state ownership of industry that sprang from the socialist Zionist ideal on which Israel was founded.

The aim is two-fold: to ease the burden of the country's big national debt by raising some $5bn over the next few years (this target does not include the planned sale of the Government's majority holdings in the banks, a separate and highly controversial issue); and to inject a much needed dose of vitality and efficiency into the moribund economy. Privatisation is regarded as a key part of the attempt to reform Israel's state-heavy, centralised economy into a *more open, market-oriented system.*

At present, state industry accounts for about 12 per cent of economic activity, but its recent record of profitability is poor. Once at the leading edge of the country's economic development, the state sector has become burdened by bureaucratic restrictions and rigidities which govern everything from investment decisions to wage scales.

One of Mr Refua's favourite examples is the fact that any decision to assign a state company car with an engine size larger than 1300cc requires his personal approval.

Government will retain a golden share *in companies* considered to be of strategic importance

Mr Refua is not promising success for the privatisation programme, but neither does he lack optimism. His hopes were buoyed in September when the second significant sale of a *government-owned business* cleared its final hurdle, the Knesset finance committee approving the disposal of 82.4 per cent of Jerusalem Economic Corporation – a property company – to a group of investors headed by Bear Stearns, the US investment bank, for $54.7m.

The sale of JEC followed that of a 75 per cent stake in Paz Oil last year to an Australian investor for almost $100m and three small-scale flotations on the Tel Aviv Stock Exchange.

For Mr Refua, the importance of these lay not so much in the deals themselves but in what they signalled to potential investors *sceptical of the commitment to privatisation.* "We have proved we can deliver the goods," he says.

But he admits that it is the next stage, when the Government moves on to much *bigger companies*, which will make or break the privatisation drive. The names on the list include Oil Refineries, the monopoly supplier of refined oil products, Bezeq, the national telecommunications monopoly, the electric utility Israel Electric Corporation, El Al, the national airline, and – scheduled to be first to go – Israel Chemicals (ICL).

This is the biggest state-owned group with turnover of more than $1bn. It has always topped the list of privatisation attractions because of its strong export and profit record from its core products of phosphates, fertiliser and bromine. First Boston of the US, which 18 months ago produced a master privatisation plan for the Government listing 25 companies to be sold, has produced a prospectus for the private *placement of a 50* per cent stake in ICL which should raise around $400m.

Because ICL faces formidable international competition, the *Government* decided a majority should be privately placed through investment banks to find a partner for the business, rather than floating it off by itself. Minority *stakes* will be sold later to the public and employees. Similar treatment is being planned for Oil Refineries and Elta, a successful subsidiary of Israel Aircraft Industries, which makes electronic weapons systems.

Smaller companies with values of less than $20m will be sold directly by the Government to private investors, leaving a third category *of companies* to be sold through public offerings. These include Bezeq and El Al.

The obstacles still to be overcome in all these categories are considerable. El Al, though back in profit, is still in receivership. In the case of Oil Refineries, the planned sale is complicated by the rigid, monopolistic energy distribution system in Israel. Reforms to free the market before privatisation are planned, but though these may improve the long-term prospects for Oil Refineries, finance ministry officials say they could mean a drop in revenues in the short term.

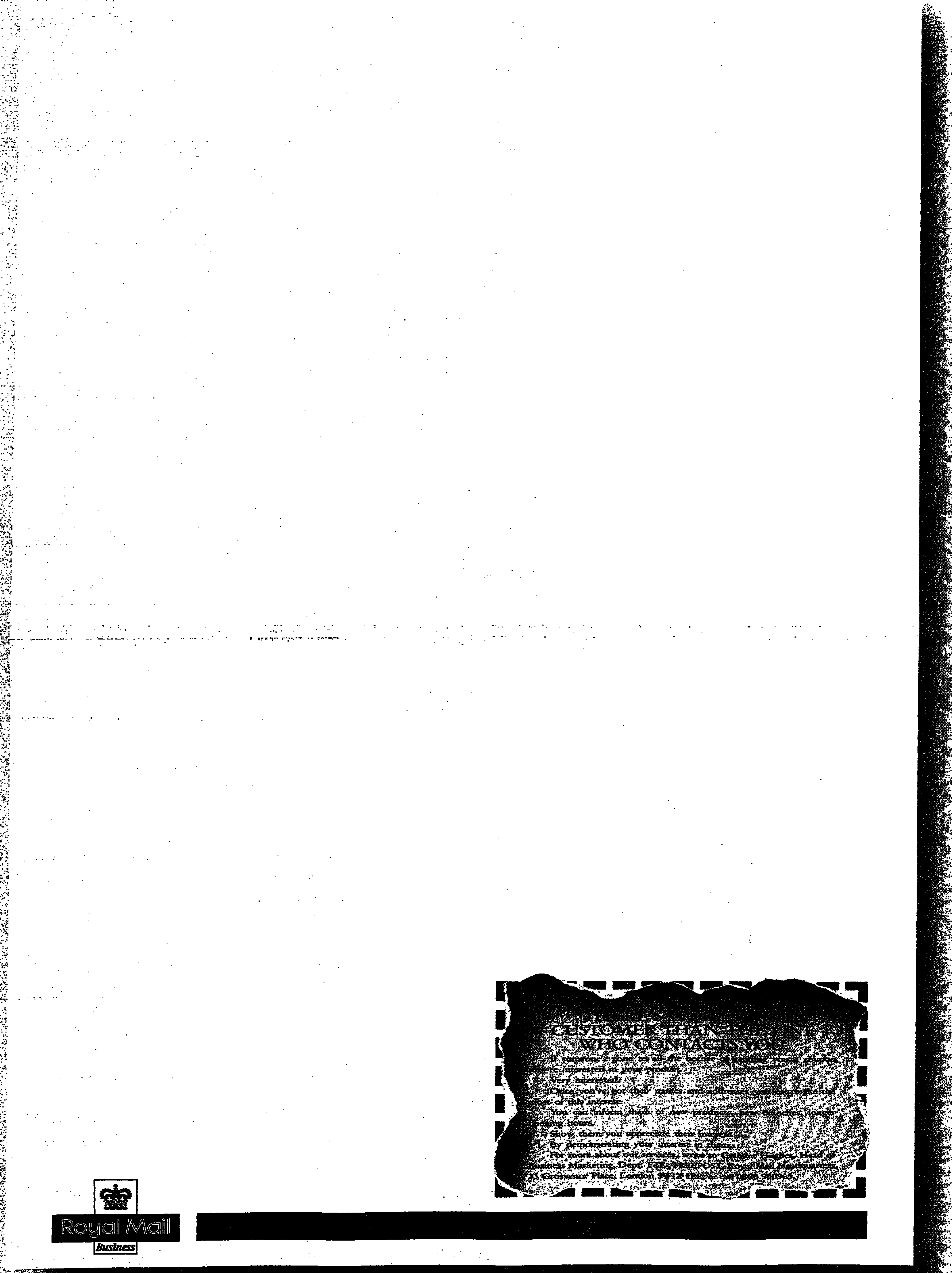
One striking feature is that both Likud and Labour are unanimous on the need to privatise

Advice to the Government on Bezeq, which has a value of about $1.5bn, says that before an intended *initial 10 per cent tranche is floated* on the Tel Aviv Stock Exchange, tariffs will have to be raised to make it more profitable. Yet if there is one issue which unites Israelis, it is on the perceived high price they pay for a dismal telephone service.

Another significant factor in the case of a number of companies *is* their strategic importance to a country still officially in a state of war with most of its neighbours and subject to the Arab trade boycott. This *is one of the reasons* why the Government intends to retain an ultimate veto over most in the shape of an open-ended "golden share", even when it holds zero equity.

Politically – especially given the past ties between the state sector and the development of the nation – a striking feature is the near unanimous agreement among ministers in the Likud-Labour coalition about the need to privatise. This bodes well for the programme, but each sale is subject to the approval of the Knesset finance committee, which raised a number of objections to the JEC deal before finally giving it the nod.

Mr Refua knows all these pitfalls better than anyone. He has decided to return to *private industry* next spring, by which time, he says, the watershed will have been reached.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Business

Brady seeks more reform in regulation of markets

By Peter Riddell, US Editor, in Washington

FURTHER reforms in the regulation of financial and securities markets are needed to deal with unstable conditions, Mr Nicholas Brady, the Treasury Secretary, argued yesterday.

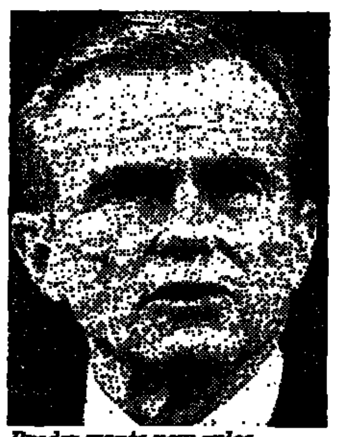
Before taking up his present post in August last year, Mr Brady not only ran the Dillon Read securities house in New York but also headed a presidential commission investigating the slump in share prices of October 1987.

Testifying yesterday about pending legislation, Mr Brady argued that the Securities and Exchange Commission needed more powers.

In particular, the administration now believes legislation is needed to speed the process of co-ordinating clearance and settlement of futures, equities and other products that cross financial markets. This differs from the earlier view of the working group of financial regulatory agencies, which argued that the issue should be left to the private market.

But yesterday Mr Brady said that clearance and settlement "remain the weakest link in the system" and therefore the administration supports a provision in the market reform bill before Congress that would direct regulators to co-ordinate clearance and settlement.

Mr Brady said the working group on financial markets was to be asked to reconsider issues related to stock and futures margin requirements. Previously, this group had concluded that minimum margin requirements prevailing last week were sufficient for prudential purposes and were consistent between markets.



Brady: wants new rules

But subsequently, he noted, futures markets had reduced their minimum margin requirements to levels even lower than before the 1987 collapse. "This raises questions about whether futures and equity margin requirements are consistent at these levels and whether futures margins are adequate." He was "very concerned about these issues".

The only difference from testimony given yesterday by Mr Richard Breeden, the new chairman of the SEC, was over whether the commission should be given the power to halt trading in times of emergency.

Mr Breeden has said he does not want such authority, which at present rests solely with the president. But Mr Brady has argued that such a change is needed since the initial governmental response to market emergencies should come "from a regulator with expertise and proximity to the markets".

Mr Brady warned Congress against going too far in its attempt to eliminate market volatility. "We cannot and should not attempt to eliminate major market moves, whether by legislation or regulation."

He argued that the sharp drop in share prices two weeks ago did "not signal any fundamental change in the condition of the economy."

The system, he said, "had functioned well on October 13. Few, if any, of the operational problems that we witnessed in 1987 occurred, and the systems that were put in place over the last two years to address market declines appeared to work reasonably well."

The most pressing concern of financial regulators was "market overhang", or unfinished business that could have flooded the market with sell orders on October 16.

US gross national product up 2.5%

By Anthony Harrisin Washington

US real gross national product rose at an unchanged annual rate of 2.5 per cent in the third quarter, according to the advance estimate from the Department of Commerce, published yesterday.

The composition of national demand changed sharply, however. A 1.4 per cent rise in consumer sales – mainly cars – after a flat trend more than offset a $22bn fall in real net exports, and smaller falls in house-building and federal spending.

Mr Nicholas Brady, Treasury Secretary, told the Senate Banking Committee he was pleased with the third-quarter figures which showed "good, solid growth and a lowering of inflation."

Mr Michael Darby, the Under-Secretary for Commerce, said that the most disturbing element of the GNP report was the deterioration in the real balance of trade. He predicted, however, that the trade balance would improve through the rest of the year.

Falling energy prices had a considerable impact on the figures. The fixed-weight price deflator, considered the best indicator of underlying inflation, fell to an annual rate of 2.9 per cent from 5 per cent in the previous quarter. But Dr Michael Boskin, chairman of the Council of Economic Advisers, said that this figure was probably below trend.

Energy prices also largely explained a 1 per cent fall in the import price index over the quarter and it further seems likely that higher imports of cheaper oil contributed to the rise in price-adjusted imports. The boom in car sales accounted for 40 per cent of the total rise in GNP. Durable goods purchases rose at an annual rate of 15 per cent during the quarter, more than twice the growth rate of 1988.

Brady seeks more reform, Page 6

A region out to show it has come of age

Tim Coone looks at today's meeting of Latin American leaders in Costa Rica

AS A reminder that Costa Rica's democracy was not always so peaceful and civilised as it is today, bullet-holes can still be seen in the outer walls of the old Bella Vista barracks in San José.

Now the National Museum, 40 years ago it was the scene of an attempt to overthrow the government of Don "Pepe" Figueres, the founder of the ruling National Liberation party (PLN), who had come to power a year earlier by leading a rebellion against a government that stole the elections from his party. The PLN is now one of the best-established social democratic parties in Latin America.

This weekend President Oscar Arias will make a speech on the steps of the museum to commemorate 100 years of Costa Rican democracy. He has invited heads of government from across the American continent to use the occasion to discuss six topical themes dubbed as the 6 "Ds" – democracy, debt, development, deforestation, drugs and disarmament.

The three notable absences from the guest list are Cuba, Panama and Chile. Eighteen heads of government will be present today, as will 1,500 journalists who have converged upon San José, and a similar number of members of the official delegations (800 from the US alone). The local hotel and car-hire businesses are booming.

But what is it all for? Plenary meetings will last only four hours over the two-day summit. No final document is to be produced. Diplomats say US President George Bush does not want to put his name to anything that might also be signed by President Daniel Ortega of Nicaragua.

With the latter in an election campaign, the US is concerned that signs of a rapprochement might favour Mr Ortega at the expense of his opposition. For the same reason a much-speculated-on Bush-Ortega encounter has also been firmly ruled out.

Mr Bush however is due to meet Mrs Violeta Chamorro, the main opposition candidate in the Nicaraguan elections, as well as leaders of the Panamanian opposition.

Indeed, as far as the US is concerned Panama and Nicaragua are the two key issues of the San José summit, in the former case to try to rally support for stronger sanctions

Arias: discussing the six "Ds"

against Panama's military leader, General Manuel Antonio Noriega, and in Nicaragua's case to maintain diplomatic pressure to ensure fair elections there next February.

Mr Arias and the Latin Americans though have their own particular interests to pursue. According to close aides of Mr Arias, even though a final summit document has now been ruled out, he still hopes the meeting will mark the beginning of a new Latin American-US relationship based on an understanding that Latin America has come of age and deserves to be treated as an equal partner.

His successful Central American peace initiative during the Reagan administration won him the Nobel Peace Prize – and the opprobrium of the hawkish right in the US.

Diplomats say it is a message that will not be lost on the new Bush administration, though, especially given Mr Arias's diplomatic support for the US over Panama.

The summit will meanwhile give Mr Bush a chance to meet most of the continent's leaders on both a multilateral and bilateral basis. That in itself is being seen as a significant outcome of the meeting and an opportunity for Mr Bush to give substance to his declared policy of promoting aco-operation with Latin America.

Interest is also focusing on Mr Ortega. His conciliatory approach at last August's Central American summit made a deep impression on the Arias team. "He has become an able and mature diplomat," said one Arias adviser. He may offer some initiatives but the Nicaraguan delegation of over 100 members is playing its cards very close to its collective chest.

The worst-kept secret in town, however, is that the Canadian Prime Minister, Mr Brian Mulroney is today to announce Canada's entry into the Organisation of American States (OAS), thereby opening a new phase of Canada's relations with Latin America which can be expected to have both political and economic ramifications.

Mr Mulroney is due to speak immediately after Mr Arias's summit opening speech – a schedule which has upset the Argentines, who wanted President Carlos Menem to speak second. For Mr Menem, the summit is an important opportunity to project himself as a Latin American leader and, as one summit organiser, said "to bring Argentina in from the cold".

For those left out in the cold, Panama, Cuba and Chile, they can expect to receive a stern finger-wagging from most of those at the summit. Of the six "Ds", democracy and drugs are expected to be the dominant themes and Panama fails on both counts.

As Mr Arias speaks outside the National Museum, the symbolism of what happened there 40 years ago will not be lost on those focusing today on Costa Rica's neighbour, Panama.

Tax package entangled with East European aid

By Peter Riddell

THE increasingly bitter battle over reducing US capital gains tax has become entangled with the Senate's debate over the US aid package for Poland and Hungary. This threatens to cause delays to both proposals, as well as to legislation needed by next Wednesday to increase the federal debt ceiling.

This mess has led to heated exchanges between the White House and the Democrat congressional leadership.

Senator Bob Packwood, the main Republican sponsor of a capital gains tax cut, included it as an amendment to the large Eastern European aid package. Senator George Mitchell, Democratic majority leader, warned yesterday that this was "an unwise and unfortunate action that will obviously cause delay and perhaps permanent defeat of Polish and Hungarian aid". He criticised the administration for putting the issue of capital gains above the international need to help the new democracies in those countries.

There are now at least four different sets of East European aid packages – $451.1m (£280m) proposed by the administration, $585m by Republican minority leader Senator Robert Dole (without official White House backing), $837.5m by the House of Representatives, and $989m by the Senate Democratic leadership (scaled down from $1.2bn proposed by the Senate Foreign Relations Committee).

The eventual package will probably be somewhere between the House and Democratic Senate versions.

Brazil TV star enters poll fray

By Ivo Dawnay in Rio de Janeiro

A TELEVISION variety show host better known for knock-about wisecracks than political know-how has brought both farce and fear to Brazil's first free presidential election for 29 years. With just three weeks to go before the first round of polling, Mr Silvio Santos has let it be known that he is ready to stand for the country's highest office if any party wants him as its candidate.

Despite a certain physical resemblance to the character of The Joker in the current cinema blockbuster, Batman, Mr Santos is deadly serious and so are his supporters. His candidacy is supported by many members of the country's second largest party, the Liberal Front (PFL), who are now trying to dump their candidate, Mr Aureliano Chaves in his favour.

He is also flirting with the Liberals (PL) whose hopeful, Mr Guilherme Afif, is said to be ready to step down.

But the prospect of a Santos candidacy has sent shock waves through the business community. They fear he could easily take enough votes away from the front-running caped crusader for economic liberalism, Mr Fernando Collor, to let in the hard left.

On Wednesday, leaders of the São Paulo Industries' Federation (Fiesp) publicly criticised his intervention as upsetting the election and damaging the country's international reputation. One businessman warned: "Silvio would cause havoc. I do not know if the country could take the consequences."

The black dollar also reacted, leaping to over NCz12 - a margin of over 140 per cent against the official exchange rate. That alone confirms the popular view that Mr Santos would take a sizeable proportion of the vote, as have polls earlier in the year showing him a strong third.

A former barrow boy turned multi-millionaire owner of Brazil's second largest television network, he has a huge working class following, largely derived from his day-long quiz and variety show, aired every Sunday.

Armed with a vast, toothy smile, and the kind of folksy integrity cultivated by game-show hosts, Mr Santos's appeal rests in his image as an entirely unpolitical man of the people. His only known political opinion is a general predisposition towards a liberal economic outlook.

A Santos candidacy would provoke a barrage of legal objections to the electoral authorities and it remains unclear whether he would be allowed to stand.

Lome meetings move towards critical stage

By Tim Dickson in Brussels

CONCERN at the wide variety and deep complexity of unresolved issues will mark the opening in Luxembourg today of the critical final round of trade and aid talks between the European Community and 66 African, Caribbean and Pacific (ACP) countries.

A financial package worth more than Ecu10bn is at stake in negotiations over the so called fourth Lome Convention, as well as special access to the EC for a range of agricultural and industrial products from developing countries.

The process of renewing the present agreement, which expires in February, 1990, began almost a year ago.

Although similar resolutions have been frustrated in previous Lome negotiations, EC diplomats say that the French Government is determined to reach an agreement before the end of its six-month Presidency. Others point to the growing obsession within the EC with East/West politics and the relatively lower level of interest in North/South affairs.

At this stage even the size of the EC aid on offer is not known, although the ACP delegates hope that EC Foreign Ministers will specify a figure today.

Mr Manuel Marin, the EC Development Commissioner, and the French Government, have both been attributed with privately wanting Ecu12.8bn, but the UK Government is understood to have been considering a "substantially lower" total.

The main difference between these and previous Lome talks is the EC's new emphasis on providing "structural adjustment" support - an element which Brussels considers inevitable given the fact that about half the recipient countries already have structural adjustment programmes with the International Monetary Fund and World Bank.

The EC wants to strike a more sympathetic note than the Bretton Woods institutions, but the question outstanding is to what extent this approach will be kept separate from the traditional aid support.

S Africa sells China coal

CHINA, which has traditionally shunned ties with white-ruled South Africa, is buying coal from Pretoria, a Dutch monitoring group said yesterday, Reuter reports from The Hague.

The first of 10 shipments was unloaded in the southern province of Guangdong in June, according to the Shipping Research Bureau, a body which monitors South Africa's oil and coal trade.

"For a long time China, as a socialist country, did not maintain trade relations with South Africa. Lately a change in this policy could be noticed. China...has begun to import South African steam coal," the bureau said.

The United States and several European nations have imposed a complete or partial boycott on the import of South African coal as part of a protest against apartheid.

Commission questions French airline pact

By Tim Dickson in Brussels

FRANCE and the European Commission are set for another battle over competition policy following a decision by the Brussels executive to "engage in a dialogue" over the terms of a controversial route sharing agreement between Air France and its domestic rival Air Inter.

The issue is delicate because the Commission is engaged in a broader investigation of the French air transport industry.

A decision will have to be taken soon, for example, over the complaint of another French airline, UTA, that the Paris Government has rejected its application to fly to various European destinations, while the cross shareholdings in Air Inter (in which UTA and Air France both have a 35 per cent stake) has also been put under the Commission microscope.

Besides the inevitable French pressure being exerted in Community corridors, the attitude of the Brussels authorities may be shaped by tactical considerations during discussion of the Commission's latest airline liberalisation package.

France is known to be distinctly lukewarm about aspects of these proposals and there are those in Brussels who feel that tough application of the competition rules in the cases now being scrutinised will only complicate negotiations in the Council of Ministers when they get under way at the end of the year. Others, notably Competition Commissioner Sir Leon Brittan, argue effective use of the Commission's powers is the only way to achieve a freer market in air transport.

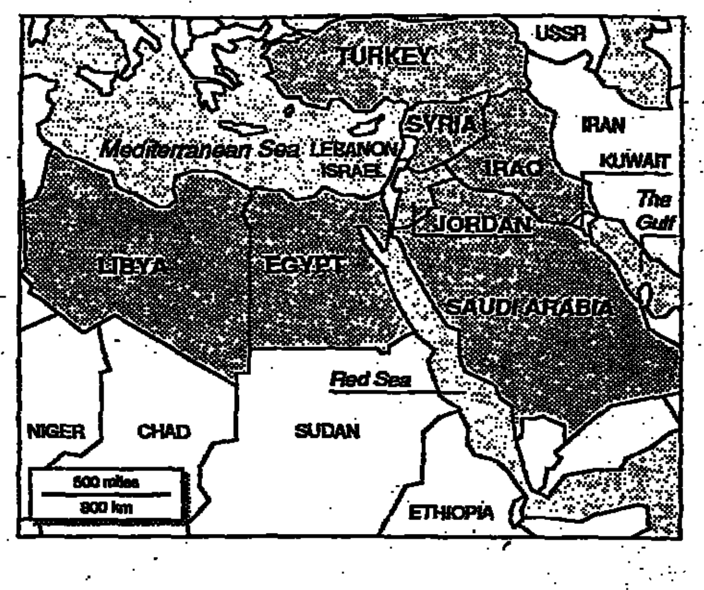
Islamic grid may not be pylon-in-the-sky

Tony Walker reports on proposals for huge regional electricity networks

MR MOHAMMED Maher Abaza, Egypt's Electricity Minister, could not be accused of allowing small problems like lack of money and disbelieving colleagues, stand in the way of his grandiose schemes.

An eccentric in an Egyptian cabinet dominated by cautious technocrats, the talkative Mr Abaza appears on the verge of seeing some of his more improbable dreams come true, and in the process, to his immense satisfaction, he is confounding the sceptics.

"The projects that I had thought of (to link Egypt with the power grids of Europe) are going to be more than a dream," he said in an interview recently.



Several years ago, when Mr Abaza first began talking about developing pan-Arab and pan-African power networks to share energy regionally, and also to tap into the European grids through Morocco and Turkey he was not taken seriously. Today, steps are under way to link Egypt with Jordan, and studies have been commissioned into developing African and Arabian regional networks. The latter, to include Turkey, is being referred to as the "Islamic grid".

A boost was given to plans for the grid when electricity ministers from Jordan, Egypt, Iraq, Syria and Turkey agreed in Ankara earlier this year to co-operate in building a regional network that would eventually be connected with Europe. The proposal for an Islamic grid is just one of a number of regional schemes being studied at present. Among various new developments are:

- A Jordanian-Egyptian agreement to proceed with a $170m scheme to link their power grids by cable under the Gulf of Aqaba.
- The award of an Arab Fund for Economic and Social Development-financed $650,000 contract to a Canadian consortium of Hydro Ontario and Hydro Quebec International to draw up a "master plan" for the Islamic power network.
- Plans by the African Development Bank to commission the same Canadian consortium to conduct a $5m feasibility study into building an African network linking Egypt, Zaire, Sudan, the Central African Republic and Morocco.
- Plans to link the Egyptian and Libyan power networks following this month's rapprochement between the previously estranged neighbours.
- Advanced discussions on linking Egypt and Saudi Arabia's electricity systems.
- The award of a $1.25m contract to Hydro Quebec in association with Canada's Lavalin International and several local groups to study the possibility of linking Gulf Co-operation Council states – Saudi Arabia, Qatar, United Arab Emirates, Bahrain and Kuwait – in an Arabian peninsula network.
- Advanced plans to join the North and South Yemeni power grids.
- Studies into the possibility of building a new 12-nation Mashreq power system based on the six states of the Gulf Consultative Council, the two Yemens, Iraq, Jordan, Syria and Lebanon.

Mr Abaza estimates that the Islamic Grid will be completed within about five years. The pan-African scheme will take considerably longer, and it is most unlikely that the first phase linking Egypt and Zaire would be completed this century.

Egypt's Electricity Minister believes that regional networks, and the sharing of power surpluses, would lead to huge savings for the participants. He said that among the five signatories to an agreement to establish the Islamic grid, Iraq and Turkey had large reserves of electricity which could be shared regionally.

Mr Abaza said political difficulties between Syria and Iraq – the two regimes have been at loggerheads for years – were not interfering at this stage with plans for a regional network. "Economic concerns are the main issue for the parties to the agreement," he observed. The minister is being a little ingenuous in suggesting that political factors are insignificant. Cairo's own interest in joining its power grids with its southern neighbours serves a useful diplomatic purpose by helping to emphasise Egypt's African dimension.

Egyptian concerns about the security of its Nile water supplies has obliged it to nurture its African links, for the river rises in two African states and flows through several others on its passage to Egypt.

Egypt's recent scare over the long years of drought in its African hinterland and the consequent reduction in water flowing through the great turbines of the Aswan high dam is another factor that has prompted the Egyptians to attempt to tap into a strategic reserve of electric power.

Electricity Ministry officials make no secret of the fact that for the foreseeable future Egypt will not be generating sufficient electricity to meet demand at peak periods. The authorities are fighting a tough battle to increase generating capacity at a fast enough rate to cope with demand which is expected to rise at an average annual rate of 11 per cent for the coming decade.

Surpluses available from its neighbours would help to ease pressure on Egypt at a time when funds for investment in new infrastructure projects are being squeezed. If Egypt could share the surpluses of others it would help to solve one of its most critical problems.

Egypt and US sign $136m power deal

By Tony Walker in Cairo

EGYPT and the United States have signed a $136m agreement to rehabilitate and extend existing power stations as part of Egyptian efforts to maximise generating capacity.

The US embassy said the aim of the project was to increase generating capacity, to rehabilitate existing generating facilities and to utilise more fully natural gas as the fuel for generating electricity.

The programme, to be funded by the US Agency for International Development, includes the construction of a combined cycle unit at the Cairo South power station, the overhaul of the Cairo West power station and the refurbishing of gas turbines at a number of other locations.

The US has stepped up its assistance for energy projects following Egypt's decision earlier this year to increase electricity prices. The Americans had been withholding more than $300m in assistance, pending action on prices.

US grants Hungary MFN status

BY Nancy Dunne in Washington

US PRESIDENT George Bush yesterday, hailing "the rebirth of Hungary as an entrepreneurial nation," formally signed legislation granting Most Favoured Nation (MFN) trade benefits to Hungary on a permanent basis.

The signing came after Hungary last month met US criteria for MFN status by codifying a free emigration law.

President Bush has been strongly criticised for offering Hungary only $25m to establish an enterprise fund, $5m to open an environmental centre and $6m for a cultural and exchange programmes.

But he insisted yesterday that the "we're not passive observers" to reforms in Eastern Europe. "Let no one doubt our commitment to freedom's success in Eastern Europe, for we know that we are privileged to participate in a very special moment in human history," he said.

Mr Fred Zeder, president of the Overseas Private Investment Corporation (Opic), the US agency which insures investors in developing nations against political risk, two weeks ago visited Hungary and signed an agreement to extend Opic's coverage there, although Congress has not yet authorised the move.

President Bush has also promised to grant MFN status to the Soviet Union, once a law allowing free emigration is in place. There is speculation in Washington that President will grant at least temporary MFN to the Soviet Union at his spring summit with Soviet Leader Mr Mikhail Gorbachev.

Uncertainty on farm talks

By William Dullforce in Geneva

AFTER THE European Community's swift dismissal of the latest US proposal on farm trade reform, the question in Geneva yesterday was whether Washington's initiative will help the talks forward or return them to the deadlock between Washington and Brussels that nearly stalled the Uruguay Round last year.

Initially, the US paper was applauded as the first attempt to co-ordinate in one programme all the elements that would have to be negotiated, if the costly distortions in farm trade are to be removed.

Support from the 13-nation Cairns group of farm exporters was not surprising. But, significantly, the US proposal was warmly received by the Latin American countries within the group, such as Argentina, Brazil and Uruguay, which had halted the trade ministers' meeting at Montreal in December because of their anger over the impasse in the farm talks.

Japan, the biggest net food importer, had reservations about the practicality of the US proposal.

UK NEWS

Nigel Lawson: sometimes a radical, always an odd man out in politics

MR NIGEL Lawson has always been a bit of an odd man out in politics. Odd because politics was not his natural profession, though what his natural profession is remains unclear, writes Malcolm Rutherford. Possibly it is journalism, in which he has at times excelled.

Odd also because he did not have a natural party allegiance. True, he has always been a conservative, but a conservative with a small "c" in the sense of someone who does not believe in unnecessary change. That did did not prevent him from being radical when he wanted to be: for example, on tax reform, where he always have wished to go further than the Prime Minister would let him.

Odd again because of his great intelligence. This is sometimes deceptive. Lawson has a self-avowed lazy streak: he has never liked doing unnecessary work and has often found it difficult to do almost anything on time – even as a journalist.

The laziness, however, never concealed to anyone who knew an intense intellectual concentration whenever he was genuinely interested in a subject.

He did not do a great deal of work on the last budget, leaving the details to Mr Norman Lamont, then the Financial Secretary at the Treasury. But that was because the budget was largely about technical reforms.

Mr Lawson had put in his on work earlier, both when in the first years of Mrs Margaret Thatcher's Government he was Financial Secretary himself and devised the medium-term financial strategy and a guiding force behind the abolition of exchange control, and later as a tax-cutting Chancellor.

He is an odd man personally, as well, in that so few people seem to understand him. "I have never tried to make myself liked or popular," he has said many times. And on the surface that is true. But Mr Lawson has also said, more privately, that he sometimes regretted it.

The possibility of his being a candidate for Mrs Thatcher's succession clearly crossed his mind two years ago, as it was bound to do in a man who was one of the architects of the Tory victory at the last election. But he also admitted that if he was running for the top, he should have started training earlier.

He would have liked to have been Foreign Secretary. That again was a late conversion. Like other notable Conservatives – Viscount Whitelaw, for example – he did not much like foreign parts.

Mr Lawson came to see, however, that British foreign policy had become considerably dependent on British economic policy, and global policy was guided at least as much by the Group of 7 as by Nato.

The oddest fact of all – and this will deserve a section on its own when the history of the Thatcher period is written – is that Mr Lawson and Sir Geoffrey Howe, were not personally close to each other. Mr Lawson as Financial Secretary was a key adviser to Sir Geoffrey as Chancellor. He also became Sir Geoffrey's successor, just as he would have like to have taken over from him at the Foreign Office, though was perhaps too reserved to push for it.

It was not that they did not like each other. They were just temperamentally different: Sir Geoffrey the workaholic, Mr Lawson the brilliant mind which was applied only by fits and starts.

If the pair of them had decided to work together on broader outlines of policy some years ago, they could have changed a great deal. Certainly yesterday's events would not have happened. The Chancellor and the Foreign Secretary could have gone to the Cabinet and argued the case for full British membership of the European Monetary System. They never even tried.

Apart from temperament, there was perhaps one other reason. Mr Lawson wanted to join the exchange rate mechanism primarily for economic reasons. Sir Geoffrey's reasons were overwhelmingly political. Mr Lawson has never been the keenest European. For Sir Geoffrey, Europe became all. Thus the two drifted apart, and we now know some of the consequences.

Major moves in to limit damage at the Treasury

By Philip Stephens

MR JOHN Major, one of the leading contenders to succeed Mrs Margaret Thatcher when she eventually steps down as Conservative leader, has always wanted to be Chancellor of the Exchequer.

But the circumstances of his elevation yesterday were even more stunning than those which led to his appointment as Foreign Secretary just a few months ago in Mrs Thatcher's cabinet reshuffle.

The instant view at Westminster was that the Prime Minister had decided yesterday that she had to try to limit the immense damage caused by Mr Lawson's resignation by appointing a successor who would win the confidence of both fellow Conservatives and the financial markets.

Mr Major is known to have a steady nerve, has experience in the Treasury, and is well-liked by colleagues at Westminster.

In July, he was promoted dramatically from the relatively lowly, if crucial, cabinet post of Chief Secretary to the Treasury, following the Prime Minister's decision to force Sir Geoffrey Howe to leave the Foreign Office.

Mr Major had spent the previous two years, effectively, as Mr Lawson's deputy after his promotion to the cabinet after the Conservatives' 1987 general election victory.

Ironically, Sir Geoffrey's departure was also closely linked to his forceful advocacy within the Cabinet of full British membership of the European Monetary System (EMS).

His rise is one of the most meteoric within the Conservative Party in recent history.

Aged 46 and a member of the 1979 intake at Westminster, his success as Chief Secretary – in balancing the Government's need to maintain a tight grip on the overall level of public spending with demands from the electorate for more resources for key public services – ensured him promotion.

But no-one believed that Mrs Thatcher would reward him so handsomely. And no-one even dreamed that, within months, he would be taking Mr Lawson's place at No 11 Downing Street.

Mr Major is one of the more interesting – and likeable – of senior politicians at Westminster.

Most of his Conservative colleagues can be labelled fairly easily but the best one can offer for Mr Major is practical. He is deeply enthusiastic about the Government's economic strategy and its emphasis on individual freedom.

Viewpoint: A dignified and necessary exit

THE willingness of Mrs Thatcher to lose her distinguished Chancellor of the Exchequer is characteristic of very late Thatcherism, but not in the least surprising.

There are many face-saving devices she could have adopted if she had really wanted Mr Nigel Lawson to stay. She could for instance have asked Sir Alan Walters to do what he in the end actually did off his own bat - that is resign - and retain her Chancellor.

The inescapable conclusion is that Mrs Thatcher was content to see Lawson go, rather than yield an inch, as she previously was determined to remove Sir Geoffrey Howe from the Foreign Office.

So Lawson did the only honourable thing in resigning in a letter, characteristically brief and to the point. The Prime Minister is now in her bunker and we await the post-Thatcher era.

There is one thing on which I will stake my reputation. This is that the constant flow of rumours and speculation about Thatcher and Walters was undermining the pound, the economy and the prospects for jobs and inflation.

For me the most revealing episode was not the essay which Walters sent to the Financial Times, but the spate of rumours on the earlier weekend, after base rates had risen to 15 per cent, saying that Thatcher and/or Walters did not support the base rate rise, wished to leave sterling to its own devices and would not sanction further increases to support sterling.

An on the record statement from 10 Downing Street could have quashed the rumours immediately but none came and the subsequent weakening of sterling was predictable. A series of such undermining episodes going back over 19 months has resulted in sterling being lower and interest rates higher than would otherwise be necessary. And we have not seen the end.

This was a textbook example of what happens when a head of government has neither the courage to support his or her finance minister nor the courage to sack him. But in the end the Prime Minister used the Walters episode to construct the government even more in her own image.

This is not the time for a technical discussion of exchange rate policy and the EMS about which I have written many times. But it is worth pointing out that Lawson, together with Sir Geoffrey Howe and other discarded figures such as Mr David Howell were the real intellectual authors of the revival of free market economics as a practical government strategy; and the Prime Minister's main contribution was to interpose her famous instincts.

Obviously, Mr Lawson cannot be bothered with some of the small change of politics, did not strive to create a personal following and had little feeling for press relations and all the other ingratiating devices of a modern minister. Nor did he have his own "Walters" inside the Treasury.

As a result the only disagreements which became widely known were rather technical ones, emanating from the financial markets, which baffled most people. But Mr Lawson has been thwarted on more down to earth issues. On some, such as carrying further the onslaught on fiscal privileges of pension funds, the political difficulties were formidable.

But there were other issues on which economic logic and political common sense pointed in the same direction. Mr Lawson was one of the few ministers who predicted poll tax would be a political disaster. Nor was he allowed to limit mortgage interest relief to the basic rate taxpayer.

Mr Lawson's achievements go back longer than people realise. His first was when as a junior Treasury Whip in opposition, he took advantage of Labour divisions to push through the indexation of the personal tax system, despite head shaking from some on his own side.

His next achievement was as Financial Secretary in 1979 when he spearheaded the overnight removal of exchange controls - only comparable to the Erhard bonfire of controls in Germany in 1949. It was Sir Geoffrey and Mr Lawson who were confident of taking this leap into the unknown, while people like Thatcher and John Biffen who talk of "not bucking markets" were hesitant and cautious.

The end of exchange control, coupled with the phasing out of investment subsidies in Mr Lawson's first 1984 budget, paved the way for the vast improvement in the rate of return to British industry - by making it more difficult for those who could not earn such a return to continue.

Another little known achievement was Mr Lawson's role in building up coal stocks as Energy Secretary - which enabled the Government to beat down the coal strike. That victory was not only a landmark in the onslaught on excessive union power, but did far more to restore the rule of law than any number of tough law and order speeches.

Mr Lawson will of course also be remembered for the launching of the Medium Term Financial Strategy. Of course this has been damaged by the difficulty of finding a good measure of the money supply to target - despite the assurances of technical monetarists that such choice would present no problems. But the fiscal side is very much alive and the monetary side is bound to be taken up again.

Mr Lawson's flirtation with the European Monetary System goes back much earlier than people realise - right back to 1981 when he was looking for a form of monetary constraint which would not be easily defeated by the defeatists and high public spenders on his own side of the House. He rightly saw that a commitment to the EMS could gain the support of a much wider coalition than any domestic monetary objective had a chance of doing. Given the national reluctance to stick with anti-inflationary policies when the going gets tough, this insight is worth preserving. It was unfortunate that Lawson preferred to move towards a link with the D-Mark by stealth rather than to draw upon the element of European idealism, which he perhaps found too sentimental or imbued with wishful thinking.

In any case, whatever the temporary setbacks, Lawson has demonstrated that there is no such thing as going it alone in running the pound; and some successor is sure to build on his foundations.

I am prepared to lay my head on the chopping block to say that he will also be remembered for the 1988 budget which chopped off high marginal tax rates that could only be justified by resentment and envy. Characteristically the measures to help those at the lower end, via National Insurance came in a separate budget, which Lawson was reluctant to call "a budget for the poor" although it certainly helped in that direction.

Of course there were mistakes. To my mind the worst - in which the Prime Minister was involved up to the hilt - was the decision to let sterling slip when oil prices fell in 1985-86 thus momentarily seizing a competitive advantage but sowing the seeds of present difficulties.

This whole episode would not have been possible had not Mrs Thatcher vetoed the first Lawson attempt to join the EMS. For the whole advantage of rules is that it prevents people from yielding to their own opportunisms - which in this case was backed by all the expert advice.

During the Thatcher heyday, Mr Lawson could probably not have forced through EMS membership, even if he had had a Cabinet majority. His mistake was not to use the period of his own ascendancy to force the issue through. And I have said before that he should have resigned in March 1988 when the Prime Minister overruled his D-Mark policy with a schoolmistressy dressing down.

The one happy feature of the resignation is that Mr Lawson has left young enough to continue his career elsewhere. I very much hope that it will still be in the area of national or international public policy, at least some of the time.

Nor do I despair of the British economy. *This is now* strong enough - despite the rubbish that is written about the trade figures - to withstand the vagaries and waverings of policy. The effort to build a humane market economy - which is different from trendy talk about the environment and throwing more public money at everything - will be resumed - I do not know under which party. Meanwhile the Chancellor has departed with dignity and restraint - a quality he cannot at this hour expect from his friends and admirers.

Samuel Brittan

The Lawson-Walters row chronology

- **January 1981 — August 1983** Walters personal economic adviser to Mrs Thatcher.
- **March 1988** - pre-Budget rift between Lawson and Thatcher over need to hold down the pound.
- **April** - Walters writes in FT that Britain should not join EMS exchange mechanism.
- **June** - Walters writes several articles in UK press warning of "tragic consequences" of full EMS membership.
- **July 15** — Hints that Walters may return from US as full-time adviser to Thatcher.
- **July 18** — Walters criticises Lawson over handling of economy as "misguided," and blames trade deficit on Lawson's policy of shadowing the D-Mark.
- **July 20** — Thatcher tells Walters to keep quiet and Lawson receives full backing of Tory MPs.
- **January 1989** — Confirmation that Walters will return as full-time adviser.
- **March** — Walters praises Lawson Budget as "politically brave."
- **May 2** — Walters rejoins Thatcher as full-time adviser.
- **June 11** — Lawson brushes aside Walters's views over entry into ERM.
- **June 14** — Thatcher rejects call to sack Walters.
- **October 14** — Article in FT quoting Walters as saying EMS "half-baked." Labour calls on PM to disassociate herself from Walters's views.
- **October 19** — Lawson at Mansion House reaffirms belief in intervention to support the pound.
- **October 22** — Tory MPs demand that Walters be silenced.
- **October 24** — Lawson publicly rebukes Walters, Downing Street tells Walters to keep quiet.
- **October 26** — Thatcher refuses to sack Walters and backs Lawson. Lawson resigns. Walters resigns.

UK NEWS

Government 'will not subsidise high-speed link'

By Kevin Brown, Transport Correspondent

MR CECIL Parkinson, the Transport Secretary, has officially informed British Rail that the Government will not subsidise the construction of its proposed high speed line from London to the Channel Tunnel.

The decision means the BR board will have to abandon plans to table a private Bill in November seeking legislative authority for its preferred route from Folkestone, on the south coast to King's Cross and Waterloo stations in London.

However, the board is likely to be sharply divided over its next move when it meets to make a final decision on the line next Thursday.

BR is still talking to two private sector consortia interested in building the line, but both say environmental improvements which have increased the cost from £1.7bn to up to £3.5bn mean it is not viable without a Government subsidy of more than £1bn.

One group of board members believes BR's public image has been so damaged by the high speed line saga that it should drop the project. This would mean relying on upgrading existing track to cope with Channel Tunnel traffic.

The board members in favour of this option believe BR has enough capacity on lines in Kent and South London to handle Channel Tunnel trains until the end of the Century. However, services would probably be restricted to 100mph, compared to more than 180mph in France.

A second group of directors favours tabling an alternative Bill to construct a line from the tunnel portal to Swanley, south east of London.

This would allow BR to salvage something from the wreckage of its original proposals, and has the advantage that a tunnel under London could be constructed later to King's Cross or an alternative site at Stratford, in East London.

However, the option of a high speed line to Swanley is strongly opposed by Kent County Council, which fears there would be a huge increase in traffic using the congested M25 motorway.

There would also be angry opposition in South London, where residents would lose the protection of a 12-mile tunnel for Channel Tunnel trains from Swanley to King's Cross. The London tunnel is one of the main reasons for the increase in the estimated cost of the original route.

If the board decides to go ahead with a line to Swanley it will almost certainly be built by a consortium headed by Trafalgar House, which believes it can make a reasonable return on the project.

However, no agreement has yet been reached on the terms for a joint venture between Trafalgar House and BR.

BR remains implacably opposed to separate proposals put forward by consortia led by Manufacturers Hanover Trust and Ove Arup for alternative routes which would approach London through South Essex and terminate at Stratford.

Mr Cecil Parkinson, the Transport Secretary, could still ask BR to look again at these schemes, but neither could be ready in time to meet the Parliamentary timetable for a private Bill to be tabled this year.

Engineering sides fail to agree

By Michael Smith

HOPES OF avoiding strikes next week at Rolls-Royce and British Aerospace were dashed yesterday after employer negotiators failed to agree a basis for formal talks.

The Confederation of Engineering Unions said indefinite strikes would begin at British Aerospace's Chester and Preston plants in north west England, and at Rolls-Royce's Glasgow factory would start at around 6am on Monday morning.

The Engineering Employers' Federation announced the failure to agree a basis for talks after meeting representatives of companies, including British Aerospace and Rolls-Royce, which are threatened with industrial action.

It said demands presented by the CSEU on Wednesday as the unions' "irreducable minimum" were not an "acceptable basis on which to resume discussions."

"It is clear, therefore, that a new national agreement cannot be negotiated at present."

Wednesday's discussions, held on on informal basis, were the first between the CSEU and the EEF since talks on a national hours agreement broke up in April.

In response to the union's claim for a 37-hour week, the EEF had offered 37½ hours but insisted they would have to be self-financing and negotiated on a local basis.

Subsequently the manual worker unions joined forces with their white collar colleagues to campaign for a 35-hour week. Strike ballots last week at seven engineering plants, chosen to spearhead the campaign, showed strong support among manual workers for the campaign, but white collar workers voted against striking.

Companies seek tax harmony

By David Waller

A BIG majority of the UK's largest companies are in favour of harmonisation of corporate taxes in Europe, a survey conducted by the Confederation of British Industry for the Institute of Fisal Studies has found.

The companies feel that their investment decisions are distorted by tax considerations and therefore endorse a move towards harmonisation in this area. The IFS points out that if the European Commission follows this route, it will cause confrontation between Brussels and a UK government zealous to preserve its sovereignty in this area.

Tax rates now range from 10 per cent in Ireland to 56 per cent in some cases in Germany. The Commissioner for tax harmonisation in Brussels is considering options for reform, and the Commision has stated its belief in principle that companies' tax burdens in the community should be more closely aligned.

The IFS suggests that if after 1992, trade barriers are removed from country to country, tax considerations will become even more important.

Nearly half the 173 large companies polled said that tax was aways a major consideration when deciding where to locate a new production plant; around 90 per cent said that some form of harmonisation of the the tax base and the rates charged was desirable.

The extent of the distortion was illustrated by the IFS's own research which showed that to earn a given after-tax return on its investment, a UK company must earn almost twice the rate of pre-tax return in Germany as in Ireland.

The IFS recommends that the most pragmatic way to bring about harmonisation is to abolish withholding taxes on profits repatriated from one country to another. Under this arrangement, foreign companies are taxed at a higher rate than domestic companies and the IFS calls this "the most blatant discrimination against companies operating in certain countries". Leaving rationalisation to market forces would be equally unworkable, the IFS said.

Corporate Tax Harmonisation and Economic Efficiency, by Michael Devereux and Mark Pearson . Available from IFS, 180/182 Tottenham Court Rd., London W1P 9LE. price £10.

Barclays to shed 2,500 jobs

By Paul Cheeseright

BARCLAYS, the largest of the Big Four British commercial banks, will slow recruitment as it sheds around 2,500 jobs as part of a drive to increase efficiency.

But there will be no compulsory redundancies, the bank said. Rather jobs will disappear through natural wastage and a reduction in the number of people hired every year.

On average Barclays recruits more than 4,000 people a year. This number is expected to drop perceptibly from 1991 at a time when demographic trends suggest that there will be fewer school-leavers coming on to the market.

How the reduction in the number of jobs will take place is now the matter of discussion within Barclays and follows a long-running review aimed at cutting costs and improving profit margins.

Barclays employs 57,000 people, the vast majority of whom are engaged in clerical work. Part of the review is directed towards shifting people away from such paper processing to sales and customer services.

At the same time Barclays has been reviewing the managment of its branch network and will move towards a system where branches are managed in clusters rarther than individually.

It is also moving towards greater automation in areas like document handling. The changes will be spread over several years.

Unit trust sales hit £1bn in September

By Eric Short

INVESTORS bought £1.07bn worth of unit trusts last month, according to figures issued yesterday by the Unit Trust – the first time that the monthly sales figure has passed the £1bn mark since the October 1987 stock market crash.

Although the amount of units redeemed by investors in September, at £564m, was the third-highest monthly redemption figure this year, net new investment in unit trusts, at £504.4m, also reached its highest level since the 1987 crash.

However, unit trust managers do not expect the recovery in the fortunes of the unit trust industry to be maintained in October.

First, September is historically a good month for unit trust investment, while October tends to lag behind somewhat. There was also strong institutional buying last month.

Second, there were 16 new trusts launched during September and new funds tend to attract more investment than initial funds. For example, the new European Dividend Fund from leading managers, the M&G Group, attracted £68m.

However, managers are having to cope with investor reaction to the dip in the market on October 16 and the subsequent volatile markets worldwide. Preliminary indications are that investors generally did not lose their nerve as in the stock market crash of October 1987.

There was above-average selling of units on the Monday, but no panic selling. There has been above-average redemption of units since, but also steady buying.

Two of the management groups with cash fund unit trusts – Fidelity and Gartmore – saw many investors switching into the cash funds, which can be done without penalty, rather than outright selling of units. Subsequently, some investors have been switching back out of the cash fund, which is on cheaper terms than fresh purchase of units.

Total gross sales of units in the first nine months of this year at £7.74bn have already passed total sales for last year of £7.68bn, while net new investment to date, at £2.86bn, is well ahead of last year's total of £1.8bn.

Despite good net investment figures last month, the total value of funds under management declined slightly over the month from £56.09bn to £56.04bn, reflecting the erratic movements in world markets.

UniChem to boost cheap drug imports

By Peter Marsh

UNICHEM, one of Britain's biggest two drug wholesalers, has decided to include in its product range medicines bought from other European countries where prices are lower.

The decision may annoy the UK drugs industry, which fears that higher imports of low-price products could hurt sales and profits.

UniChem will next week offer its pharmacist customers 60 popular prescription products bought from countries such as Belgium, Italy and Greece, where medicine prices can be half that of Britain. They will be shipped in by Stephar, a Dutch-owned drug distributor with a UK base in Great Yarmouth, on the east coast.

The drugs will be made overseas largely by the same multinationals as produce them in the UK.

They are cheaper because of differing pricing regulations among European governments. These differentials are seen at the European Commission as a serious anomaly which officials hope will be reduced significantly after creation of the single European market.

Big drugs companies view the differentials with mixed feelings. The range of prices makes pan-European marketing difficult, but the industry is anxious to maintain high prices in countries like Britain, Holland and West Germany, to boost overall profitability.

UniChem's move follows a decision last year by AAH Pharmaceuticals, the other big UK pharmaceutical distributor, to include imported medicines in its range.

Pharmaceutical wholesalers buy drugs from manufacturers and sell them to Britain's 12,000 pharmacist outlets. If pharmacists can buy medicines at cut prices, they can boost their profits as they are reimbursed by the Government for drugs sales at fixed rates.

UniChem and AAH between them distribute about a quarter of Britain's annual pharmaceutical sales of some £2.2bn. Imported imported drugs account for only about 5-10 per cent of the total but the proportion has been growing rapidly as more pharmacists, mainly supplied by small wholesalers have said they are keen to handle these products.

FT LAW REPORTS

English court can hear shoe case

TESAM DISTRIBUTION LTD v SCHU-MODE TEAM GMBH AND ANOTHER

Court of Appeal (Lord Justice O'Connor, Lord Justice Stocker and Lord Justice Nicholls): October 20 1989

THE COURT's power under the Civil Jurisdiction Convention to hear contract cases against defendants domiciled in Convention states does not depend on the established existence of the contract; and it will proceed to hear a breach of contract claim, though the defendant denies there was a contract, if the evidence shows there is a serious question to be tried as to its existence.

The Court of Appeal so held when allowing an appeal by the plaintiff, Tesam Distribution Ltd, from Mr Justice Rougier's decision that the English court had no jurisdiction to hear its breach of contract claim against the second defendant, Commerzbank AG. Proceedings were not served on the first defendant Schu-Mode Team GmbH. Tesam's appeal from the judge's decision that the court had no jurisdiction to hear a claim in tort against the bank was dismissed.

LORD JUSTICE NICHOLLS said that Tesam carried on business in London as an importer and distributor of shoes. The defendant bank and Schu-Mode, a supplier of shoes, carried on business in Germany. Neither had a seat in the UK.

Tesam served a writ out of the jurisdiction on the bank. Leave to serve was not necessary because it was a "Convention case," under the Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters.

The bank applied to set aside the writ and service under RSC Order 12 rule 8, on the grounds that the proceedings ought to have been brought in Germany, and that the English court had no jurisdiction.

Master Turner acceded to that application and was upheld by Mr Justice Rougier. Tesam now appealed.

The writ was endorsed with a statement of claim. It alleged that a binding agreement was made between Tesam and Schu-Mode acting on behalf of itself and the bank, for the purchase and sale of 34,800 pairs of spring shoes at £5 a pair and 52,600 pairs of winter shoes at £10 a pair.

The statement of claim referred to two telexes. The first, sent by Schu-Mode on August 4, confirmed its agreement to deliver the spring shoes at £5 a pair in London. The second, also sent by Schu-Mode on August 25, said its bank had not accepted Tesam's offer and wanted £7 for the spring shoes and £13 for the winter shoes.

It was alleged that Schu-Mode did not deliver the spring shoes or the winter shoes. The relief claimed in the action was damages against Schu-Mode and the bank for breach of contract, and damages against the bank for the tort of inducing breach of contract.

The bank's case was that Tesam had not crossed the threshold which must be cleared before an English court had jurisdiction under the Convention to hear the claims.

The Convention had the force of law in the UK under section 2(1) of the Civil Jurisdiction and Judgments Act 1982. Section 3(1) provided that any question as to the meaning or effect of the Convention should be determined by European Court principles.

Article 2 of the Convention set out the basic provision regarding jurisdiction: persons domiciled in a contracting state should be sued in the courts of that state.

There were exceptions.

Article 5 provided that a person domiciled in a contracting state might be sued in another contracting state "(1) in matters relating to a contract, in . . . the place of performance of the obligation in question . . . (3) in matters relating to tort, . . . where the harmful event occurred."

There was no reason to doubt that the two claims fell four-square within the Community concepts of contract and tort. Nor was there any doubt that "the place of performance of the obligation in question" was England. The complaint was breach of contract in not delivering the shoes in London.

The dispute was as to whether there ever was a contract between Tesam and the bank.

In *Effer v Kantner RCJ case 38/81 March 4 1982* the European Court held that a plaintiff could invoke the jurisdiction of place of performance under article 5(1), when the existence of the contract on which the claim was based was in dispute.

In the course of its decision it said that article 5(1) should be *construed as meaning that* the court might examine the *essential preconditions* for its jurisdiction having regard to "conclusive and relevant evidence adduced by the party concerned, establishing the existence or inexistence of the contract."

Mr Layton for the bank fastened on to those words. He submitted that to have jurisdiction under article 5(1) the court must be satisfied by "conclusive and relevant evidence," adduced by Tesam, of the existence of the contract - that it must be satisfied on Tesam's evidence at the interlocutory stage that the claims would succeed.

That was not accepted.

As the European Court had authoritatively decided in *Effer v Kantner*, a dispute as to the existence of a contract did not deprive a national court of jurisdiction it would otherwise have under article 5(1). A claim under article 5(1) was not dependent on the court's first satisfying itself that the contract existed. Its existence was a matter which the court had *power to determine* under article 5(1).

If in due course it found that no contract was entered into, it would dismiss the claim.

The passages in *Effer* emphasised by Mr Layton could not *bear the interpretation* he sought to place on them. The European Court was saying no more than that, faced with a claim founded on a contract whose existence was in dispute, the national court had *jurisdiction to consider and* determine the existence or not of the contract, having regard to sufficient and proper evidence adduced by the party concerned.

Jurisdiction under the Convention was not a matter of discretion. Nevertheless, bearing in mind that the article 5 jurisdiction was an exception to the general rule in article 2, the English court would be astute to see that frivolous or *vexatious claims for the existence* of a contract were stopped summarily at the outset, either under Order 18 rule 19, or under the court's inherent jurisdiction.

There must be evidence establishing a genuine and real *dispute. The court should be* satisfied that there was a serious question, which called for a trial for its proper determination.

If at the outset, when the court was considering whether it had article 5(1) jurisdiction to entertain the claim, it was *apparent that the claim had no* real prospect of succeeding, the court should say so and decline to permit the action to proceed.

In carrying out that exercise the court should look at all the evidence which had been adduced by the parties. Whether that evidence raised a serious question, which called for a trial for its proper determination, would *depend on all* the circumstances in each case.

Tesam's evidence established that there was a serious question *calling for a trial for its* proper determination.

The August 4 telex appeared to be a firm acceptance of an *offer for the spring shoes with* agreed terms as to payment and delivery. No explanation had been forthcoming from the bank about the precise ownership of the shoes, or what lay behind the telex of August 5. It would not be right at this stage and on the evidence to conclude that Schu-Mode had no authority from the bank to accept an offer for the spring shoes.

The same approach was *adopted with regard to article* 5(3) in respect of the alternative claim in tort. Did the evidence establish there was a *serious question,* which called for a trial for its proper determination, as to whether the *bank had committed a tort by* which the harmful event occurred in England?

At the outset the court had invited submissions from both parties on whether Tesam, under ordinary principles of English law, had a seriously arguable case that the bank had committed the tort.

Having heard such argument the conclusion was that Tesam did not have a seriously arguable case.

On the evidence the bank owned or had a charge over the shoes. Thus its refusal to concur in a sale by Schu-Mode would not, by itself and without more, give Tesam a cause of action against it.

The judge's decision on the tort claim was upheld, but his decision on the breach of contract claim was set aside.

LORD JUSTICE STOCKER gave a concurring judgment. LORD JUSTICE O'CONNOR agreed.

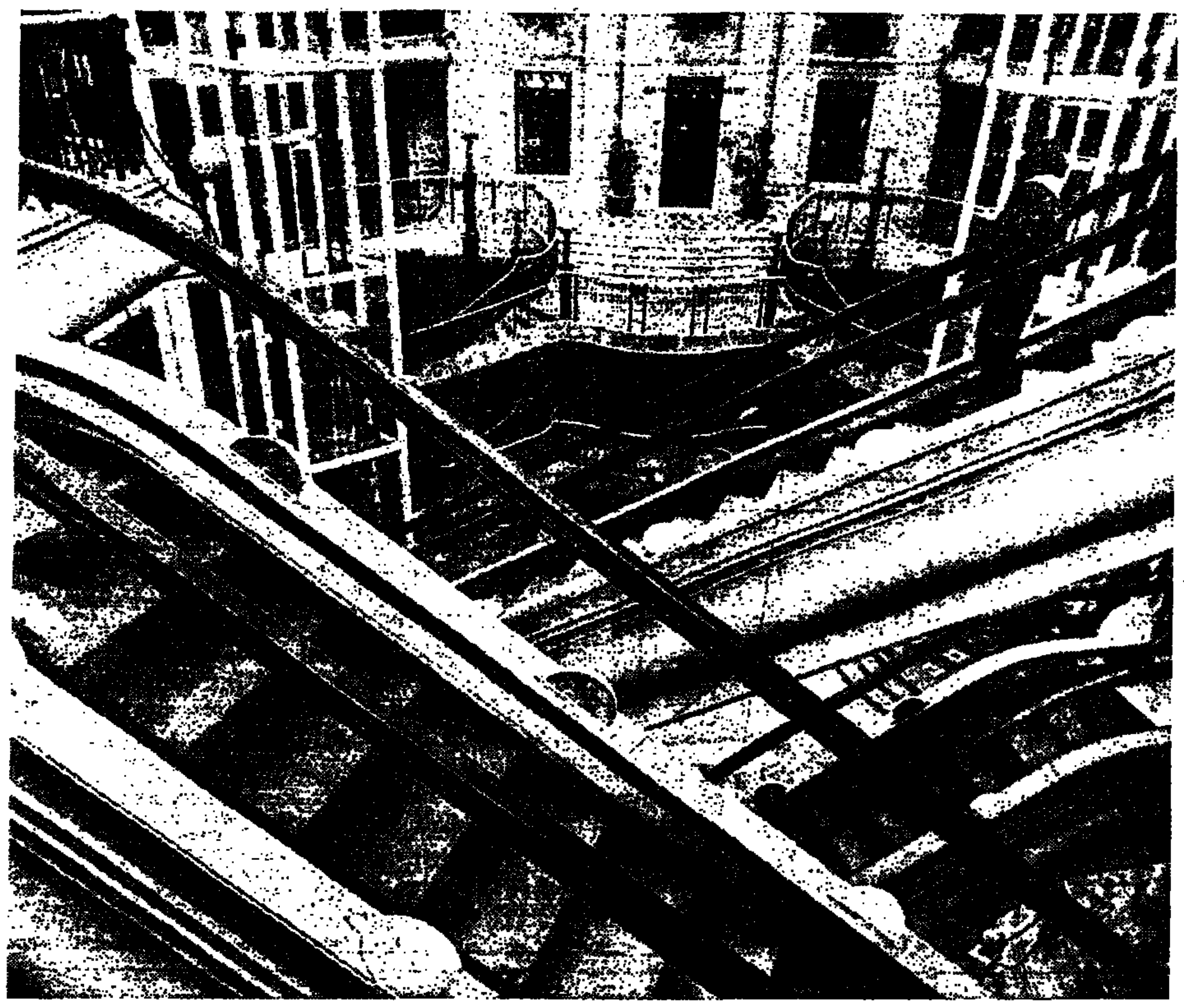
For Tesam: John Melville Williams QC and Nigel Cooksley (Black Graf & Co)
For the bank: Alexander Layton (Mawby Barrie & Scott)

Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

Scotland's property market is surging ahead, and its inner cities are taking the lead in retail development. However, there are question marks over the potential supply of office space in central locations for migrating companies. James Buxton reports.

Going up in the world



High-technology and tradition meet behind a Victorian facade in the Prince's Square shopping centre, Glasgow

Scottish Property

NO one surveying the property scene north of the border can fail to be convinced that Scotland is coming up in the world. Physically, new buildings of impressive quality and scale are being built or planned for the country's two leading cities. More subjectively, Scotland is increasingly being recognised as a fine place in which to live, to spend leisure time and to do business.

The upgrading of the value of both commercial and residential property in Scotland, and the new opportunities which that offers, could prosaically be attributed to nothing more than economic prosperity spreading northwards from the south of England. But there is more to it than that: local authorities and business people in many towns in Scotland are determined to find new roles for their communities and to shake off past images of decay or complacency.

The most obvious sign of this new attitude is Glasgow where vigorous construction work is transforming the central business area and creating high quality new retail developments in the shopping streets. Dreams hatched at the beginning of the decade of developing a more attractive city based on service industries rather than manufacturing are coming to fruition.

But it is only in the past two years that the mood of economic well-being in Glasgow has become widespread. In that period office rentals have almost doubled to touch £15 per sq ft, putting Glasgow on a par with Birmingham and other leading British provincial cities, and making future developments more appealing to investors.

Glasgow's Labour-dominated district council shares the private sector's determination to revive a city that once styled itself the "second city of the empire". The result is that office and retail schemes, not to mention the council's own project for a £24m concert hall, are pushed forward with tenacity.

Glasgow also has the advantage for property development of having fewer restrictions caused by the need to preserve old buildings, while its business community is modern-minded: "They'd rather move into a building designed for modern office needs than mess around preserving an old Georgian cornice," says Mr Ted Webster of Richard Ellis.

Edinburgh, 45 miles away, has different attitudes. Conservation of the city's fine Georgian centre has been rigorous, but for long the city fathers displayed little vision about the city's other possibilities. Ironically it has taken a Labour administration of the soft left, which for some time after coming to power in 1984 was maintaining that financial services employment amounted to "Mickey-mouse jobs", to spearhead important new property developments in the city.

Only in 1987 did the council demonstrate that it was keen to encourage more office development in the city centre. But given the size, complexity and sensitivity of some of the projects for the centre – notably the vast Lothian Road scheme including a 1,200-seat conference centre – it will be well into the 1990s before demand for office space in the centre of Edinburgh is satisfied. The city centre has no units of more than 10,000 sq ft available and rents have risen for top quality accommodation from about £7 to touch £20 per sq ft since 1985.

But the schemes underway or being considered for the centre should give Edinburgh more flexibility in the 1990s, while the office and workshop developments on the western edge of city, where some new retail schemes are also to be located, will create an alternative to the increasingly crowded centre where car parking is difficult and the regional council lacks a convincing traffic policy.

In both cities questions are raised about eventual oversupply of office space. The cyclical nature of British property development in provincial cities, where sudden increases in rents make viable projects which were previously considered uneconomic, can produce alternating gluts and shortages. Glasgow has traditionally been a steadier market than Edinburgh but both cities could have some over-supply in the early to mid 1990s.

Mr Neil Munro, director in Scotland of London & Metropolitan, which has a number of office developments in both cities, believes that Glasgow may be a better long-term investment prospect than Edinburgh because possibilities for rental growth are higher. Yields for prime offices in Edinburgh – in the Charlotte Square/St Andrew Square area – are about 5.25 per cent against 5.5 per cent for top quality properties in Glasgow.

Both Glasgow and Edinburgh have high hopes of attracting companies and organisations from the south of England to relocate in Scotland. Only Glasgow is now coming into a position to market itself seriously as a relocation destination as it acquires high quality buildings with available space. Edinburgh will have to wait for several years. A modest number of organisations have moved some of their operations to Glasgow.

Apart from offering lower office rents and cheaper wage and operating costs than the south, Scotland can point to a recent study by the Reward Group demonstrating that it has the highest standard of living in Britain: when living costs are deducted from salary a middle manager's net pay is 16.6 per cent above the national average. Scottish cities, especially Edinburgh and Aberdeen, score highly in tests of the less easily quantifiable "quality of life".

It is far from clear whether these advantages will be sufficient to lure large numbers of organisations wishing to leave the south to the cooler and culturally different atmosphere of Scotland: experience so far shows that most of them want to remain within about 150 miles of London.

But better quality of life has been a factor in attracting expatriate Scottish and mobile English families to Scotland in the past two years, helping to trigger large increases in house prices, especially for the bigger houses. The builders of executive homes in Scotland are doing well and schemes are being mooted for developments of executive type property in rural areas, such as the Borders and near Perth. The fastest growing town in Scotland may be Inverness, the capital of the Highlands, surrounded by superb landscape. And sporting estates in the Highlands are changing hands at record prices.

The Government should soon make its biggest direct contribution so far to the Scottish property scene – apart from encouraging the sale of council houses – by presiding over the disposal of the large portfolio of industrial property held by the Scottish Development Agency. For years the SDA has built speculative and bespoke factories all over the Lowlands of Scotland, largely forcing the private sector out of this sector of the property market. There has been virtually no rental growth in industrial property for about 15 years.

The SDA's portfolio has now been assessed and is expected to be sold simultaneously in two tranches, one of which might fetch £150m and the other £40m, according to Mr Roy Durie, who specialises in industrial property for Ryden in Edinburgh. It had been thought the sale might take place this autumn, at least until the latest interest rates rise.

Critics, notably Mr Allan Campbell Fraser of DCI, a Glasgow developer, argue that the sale will divert institutional funds from new property developments and swamp the market. He thinks it should be phased over a longer period.

Mr Durie agrees that it could absorb institutional funds but thinks "it will create an attitude to industrial property that has not existed before: it will not necessarily reduce the number of future investments and could increase it." He nevertheless adds: "It's unfortunate that the portfolio was not available a year and a half ago before prices peaked."

The SDA industrial property sale is expected to be followed by the sale of the property assets of the five Scottish new towns, which include housing, factories, retail and office properties with an approximate value of £200m.

The SDA has played an important role in property development over the past decade. It has launched projects that have vastly improved the perception of parts of Glasgow, Edinburgh, Dundee and elsewhere. It has helped push forward major schemes in Glasgow and at times bridged the ideological gap between property developers and local authorities, notably in Edinburgh. By advancing into areas from which the private sector initially shrinks it has shown how the public sector can accelerate the pace of urban development.

It is not clear how this property development role will be carried out when the SDA is shortly transformed, being given the new name of Scottish Enterprise, and winning new powers as a result of decentralisation. But in several parts of Scotland the current tide of private sector property activity suggests that the SDA has already fulfilled successfully the role for which it was intended.

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GLASGOW

A brand new shine replaces the grime

IN THE minds of most people Glasgow lost its image as a rough, grimy industrial city some years ago. Now it may also be leaving behind its image as a city of predominantly Victorian buildings as a crop of shiny modern new office buildings rise in the centre of the city.

Office rents for top quality space in prime locations have virtually doubled in the past two years from about £8 per square foot in 1987 to the £15 achieved in one case in recent months. Though the total stock of offices is also on the increase – now about 12m sq ft compared with 8m to 10m a few years ago – most observers predict continued increases in rents for at least a year or two.

The centre of Glasgow has seen a boom in service activities in the past two years, a consequence of rising prosperity in much of Scotland and of conscious efforts to give Glasgow a new role after the near disappearance of old industries such as shipbuilding.

"Glasgow's always had a steadier office property market than Edinburgh," says Mr Ted Webster, senior partner in Glasgow of Richard Ellis, the chartered surveyors. "But in the past two to three years several things have happened to increase demand for office space."

First, he says, local firms of professionals, such as lawyers, accountants and advertising agencies, have "seriously grown". Second, the buildings which they were occupying have become redundant. Modern office users now need more space between floor and ceiling to accommodate underfloor wiring ducts, better air extraction systems to cope with the heat generated by computers and, for larger organisations, large continuous floor spaces.

Third, new professional firms have come to the city to compete for business. An example from the property world itself: the surveyors Drivers Jonas set up an office in Glasgow in 1986 with one man and a secretary. Now it employs 34 people.

"There's been a big revolution in the supply of quality office space, which was in deficit for years," says Mr Webster. The first to come onstream in the central core of the commercial area of Glasgow - around St Vincent Street - were the headquarters of Britoil, now owned by BP, and nearby the offices of Coats Viyella, which it shares with firms of lawyers and stockbrokers.

Now further developments are joining them: a 103,000 sq ft glass-plated office building at 100 Bothwell Street, for example, is nearing completion. There are large-scale redevelopments behind existing facades, such as the 106,000 sq ft Atrium Court in Waterloo Street. Alongside these big projects are total refurbishments of existing smaller buildings in the same area.

To the south of the central core is the most ambitious scheme for Glasgow so far, the Broomielaw development. The Broomielaw is an area of old warehouses, housing and shops facing the River Clyde south of Argyll Street.

Its possibilities were grasped by the property developers Bellhouse & Joseph and the Japanese construction company Kumagai Gumi who plan to develop it for office, retail and housing.

The first 275,000 sq ft phase of a scheme which could eventually stretch to more than 1m sq ft of office space alone is under way and scheduled for completion in 1991. The first of three buildings is being let to Yard, the engineering consultancy, which will be leaving a tower block which is now seen as unsuitable for the modern large-scale occupier.

Ambitious in a different way is the Northgate complex, a 140,000 sq ft office development which lies outside the central core of the city, across a swirling inner city highway in the unglamorous Cowcaddens area. Northgate is the creation of Mr Allan Campbell Fraser, who believes that if Glasgow's destiny is now to be in service activities – he wishes it were still manufacturing – it should at least be planned thoughtfully. Glasgow, he says, was a poor location for shipbuilding, with a narrow river and thousands of tonnes of steel having to be transported to the shipyards virtually through the centre of the city.

The Northgate complex is an "intelligent" office building. Computer-controlled sensors constantly monitor the movement of office workers and adapt heating, ventilation, lighting and security to their needs, resulting in considerable reductions in running costs and, it is hoped, higher productivity.

The success of the concept is shown by the fact that DCI Group, Mr Campbell Fraser's company, was able to achieve the highest rents being paid at the time in Glasgow for this location – it was able to fetch £10 per sq ft when the going rate was about £8.

"Glasgow's product had to be improved before we could really promote the city as a place for companies to relocate to," says Mr David Macdonald, who runs Glasgow Action, an organisation which tries to attract businesses to the city. He believes the office developments recently completed or under way mean that Glasgow is now getting the infrastructure it needs to fulfil these aims.

Glasgow has already had some reasonable successes in the relocation field: for example BP, which promised to move 75 executives to Glasgow when it took over Britoil, in fact transferred about 400. Direct Line, the insurance arm of Royal Bank of Scotland Group, has expanded from Croydon to Glasgow creating between 80 and 90 jobs so far. The Department of Social Security is moving the work of more than 400 staff to Glasgow from other parts of Britain.

But relocation has not so far accounted for much of the take-up of office space in Glasgow and some local politicians have disobligingly referred to the upgrading of their accommodation by the city's leading concerns as "shuffling the pack". Mr Webster says: "You've got to have the local business community well housed before you can get many people to come in from outside."

Is Glasgow building too much office accommodation? Mr Webster says there is an annual take-up of about 1m sq ft of office space of which 75 per cent is high quality accommodation. In the next two and a half years about 2.5m sq ft of new property will become available, of which some 500,000 sq ft will be completed fairly shortly. On those figures Mr Webster believes that at the quality end of the market there will be not be oversupply.

The same point is made by Mr Ken Campbell, of Jones Lang Wootton. "There's phenomenal construction going on, and any analyst who looks at it as one lump will say there is oversupply. But that's oversimplified: space is subdivided into different units and different markets, which meet the needs of different users." He suggests that within individual market sectors there is not oversupply.

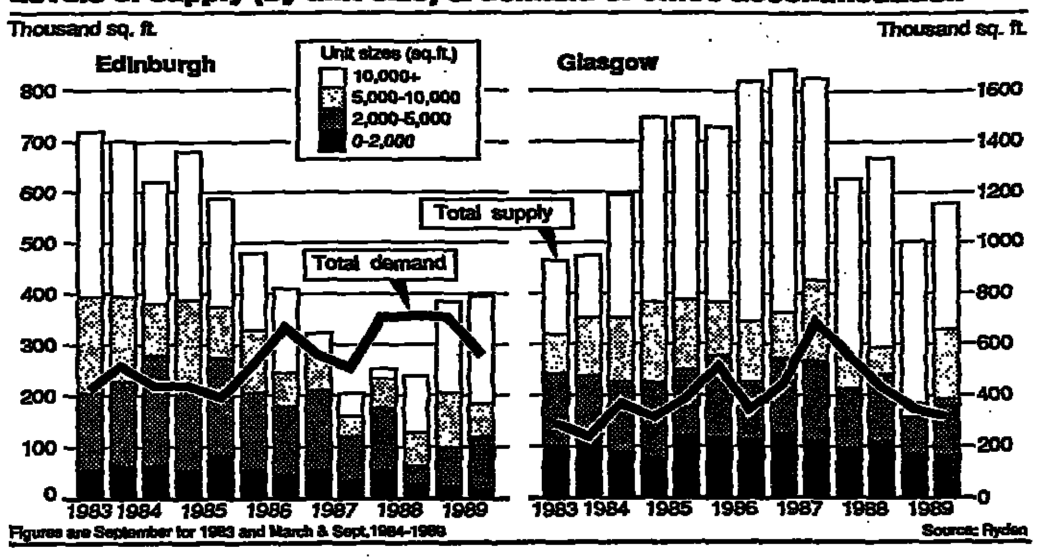
He believes that "by late 1990 or early 1991 rents for genuine first-time lettings must be sitting at £20 per sq ft." After that, however, he believes rents will level off for a time as "the major schemes take the heat out of the market".

Mr Campbell also believes that more office development will be generated outside the central core of Glasgow with the change in planning regulations allowing office development in areas previously designated for industry. There are plans for business parks in areas on the south side of the Clyde, such as the Glasgow Garden Festival site. "In a sense Northgate is a forerunner of that trend," he says. "The successful parks are likely to be fairly close in, near the M8 motorway.

"It's very easy to be a sceptic about all the activity that's going on here – it's a Scottish attitude that's dogged the Scottish business community for years. But now we are up on our hind legs and after it."

James Buxton

Levels of supply (by unit size) & demand of office accommodation



Figures are September for 1983 and March & Sept.1984-1989 Source: Ryden

EDINBURGH

Accommodation is at a premium

EXTRAORDINARY things are happening in Edinburgh. After years of stagnation and inactivity the city is committing itself to a prestigious scheme for the development of a very large site in the centre of the city and the leader of those condemning the Jeremiahs is the Labour-controlled Edinburgh district council.

Probably no one in recent years has had a more wet-blanket approach to property development in the city than the district council itself. It is largely responsible for the fact that Edinburgh is facing a critical shortage of office accommodation, pushing rents to very high levels.

The record number of new schemes now getting under way is already giving rise to anxieties about future oversupply. Strikingly, Mr George Kerevan, the council's chairman of economic development and estates, described them this month as "a manifestation of Edinburgh's only problem – lack of confidence in itself."

The office property scene in Edinburgh is very different from that in Glasgow. The city is smaller and has had lower demand for office accommodation. Much of the city centre, notably the Georgian New Town, consists of rigorously protected conservation areas.

In the late 1970s and early 1980s Edinburgh suffered oversupply of office accommodation after a speculative building boom in anticipation of the city becoming the seat of a devolved Scottish assembly – an expectation dashed in 1979. In the mid-1980s the supply of new offices was limited by a

Much of the city centre consists of conservation areas

Labour council which operated a very tight planning policy and refused to release strategic sites which it owned.

That policy restricted the growth of the Edinburgh financial community and until well into the 1990s will make it impossible for the city to tout for companies and organisations which might relocate from the south of England. Rents for quality office space in the city centre have gone up from £7 per sq ft in 1985 to about £18 and are touching £20 for very good accomodation.

The vacancy rate, which for an efficient market should be about 4 per cent, is virtually nil, with nothing available above 10,000 sq ft. But the council's attitude had been changing, though it only became clear in 1987. Late that year the initial go-ahead was given to the development of a site in Castle Terrace, known as the "hole in the ground", which had lain vacant for more than 20 years as argument raged over whether it should be used for an opera house. Now construction is under way there of a high quality building in natural stone which will provide 135,000 sq ft of office space as well as a theatre, restaurants, banks and some retail space.

The project, being developed by Scottish & Metropolitan, will be the first of the big new schemes to be completed but will not be ready until mid-1991.

Dwarfing Castle Terrace is the nearby Lothian Road development for which an outline planning application was submitted this month. This, too, is the culmination of a saga lasting many years. At its heart was Edinburgh's desire to have a 1,200-seat conference centre. The problem of financing the running of the conference centre eventually led the district council to make available a 6.5-acre former railway yard used for car parking: the council will use the ground rent from the entire site to help fund the conference centre.

Four rival schemes for Lothian Road were short-listed and the council and the Scottish Development Agency (which is contributing £6.75m to site preparation) chose Edinburgh Development Group, a joint venture of Greycoat and Sheraton Securities. They are employing the post-modernist architect, Mr Terry Farrell.

As well as the conference centre the scheme includes about 1.1m sq ft of office and retail space, courtyards and an exhibition area, much of it to be constructed on a vast deck over a main artery of the city. The conference centre will be ready in 1993 and the rest of the scheme by the end of 1994 and the cost is put at £350m.

But not all office development is taking place in and around the city centre. At South Gyle, on the western edge of the city near the bypass and airport, several large schemes are under construction or study. They include the Edinburgh West office park, a 230,000 sq ft development initiated by Murray International and now nearing completion; most of it has been sold to the Prudential Assurance.

Carroll Caledonian, part of the Carroll Group, is building South Gyle Park with 250,000 sq ft of offices, flexi-space (combined production and offices), and warehousing. Miller Developments is to build the 200,000 sq ft West One Business Park in the same area and Enterprise Edinburgh, an offshoot of the district council, has schemes to develop a business and technology park over 200 acres in the 1990s.

Both Bank of Scotland and Royal Bank of Scotland have acquired land for their expansion there. These and other schemes at the western fringe of the city "give you a choice you've never had before in Edinburgh," says Mr Alastair Russell, of Jones Lang Wootton in Edinburgh. "They are ideal for people who don't need to be in the centre; rents are lower and car parking is freely available, unlike in the centre itself."

Rents for good office space have reached about £12 per sq ft with flexi-space (workshops plus offices) at between £8 and £10. Some property analysts believe the 600,000 sq ft of business parks under construction on the western fringe of the city, with a further 800,000 sq ft being proposed, will draw business away from the centre. But Drivers Jonas, which is adviser to the district council on the Lothian Road project, does not think the business parks are in direct competition with the city centre. It argues that financial services companies, business services and profes-

Not all office development is taking place in the city centre

sions will still have to be in the central business district.

Drivers Jonas reckon that in Edinburgh some 450,000 sq ft is under construction and 2m sq ft proposed in the 30,000 sq ft and above unit size category. If they were all built, an average supply of 360,000 sq ft of uncommitted space would come on to the market each year from 1990 to 1994. The office market has taken up 750,000 sq ft of space a year in recent years, and there is about 1.5m sq ft of latent demand.

The numbers suggest that supply should roughly equate with demand. But as a fall-back Drivers Jonas argues that big users whose space is dotted around the city in small units may decide to rationalise their establishments, releasing smaller units on to the market. Mr John Clement, of Hillier Parker, reckons that as supply rises to meet demand city centre rents may plateau at about £26 per sq ft and hold there for three to five years. It is possible that some of the marginal projects will not go ahead.

But the space calculations do not take account of any extra office demand that could be caused by inward investment and relocation attracted from the south-east and even from abroad. Mr Kerevan, of Edinburgh district council, dismisses claims that the city will face a glut in the mid-1990s as a manifestation of lack of self-confidence.

"We want to see Edinburgh develop as a centre for international conferences and international institutions that we believe we will attract when we have the offices to provide the market with what it wants," he says.

James Buxton

ABERDEEN

Rents only now showing signs of movement

LIKE most other towns Aberdeen has a cyclical property market, but its cycles run at different times. Thus, two years after office property rents went sharply upwards in Edinburgh and Glasgow, those in Aberdeen are only now showing the first signs of movement.

Despite Aberdeen's low unemployment and high levels of personal income, office properties in the city have been the worst performing in the UK when returns are averaged out on an annualised basis over the past eight years, according to the Investment Property Databank. Last year rental growth was only 0.3 per cent.

Although Aberdeen has a sound underlying economy based on fishing and agriculture its property cycle is now heavily influenced by oil. North Sea oil activity was strong in the late 1970s when the rest of the British economy was languishing. There were peaks in the Aberdeen property market in 1982 and in 1985 when oil activity was strong.

But when the rest of the Scottish economy began picking up in 1987, Aberdeen was languishing badly after the abrupt downturn in North Sea activity which followed the oil price collapse of 1986. Whereas in the early 1980s office rent levels in Aberdeen were around £8.50 per sq ft, some £2 to £3 above Glasgow and Edinburgh, they have only in the past few months begun to shift upwards from that level as a new upturn in oil company activity makes itself felt.

"Rents have just begun to hit £10 compared with £8-£8.50 only six months ago," says Mr Roddy Pearson, of Ryden. He quotes the example of a 4,000 sq ft refurbished property in the city's smart West End where £10 has been achieved. That rent level is also being quoted for the last remaining 11,000 sq ft floor in the St Magnus House development.

Mr Pearson believes rents will continue to rise, reaching at least £12 within a year from now, because supply of new accommodation is very limited.

"There's very little on the market or coming on to the market in the next two years," he says. An exception is Victoria Tower, a 78,000 sq ft building in Market Street in the town centre near the harbour. Victoria Tower was completed just after the last downturn in the city's property market and was never let. Now its owner, R H Edmondson Properties, has refurbished it.

So far no agreement with a tenant has been signed but Ryden, which is involved in letting it, expects it to achieve at least £8.50 per sq ft. It is available either as a single building or as three separate towers. R H Edmondson is also

The property cycle is now heavily influenced by oil

to build 30,000 sq ft of high quality offices in Chapel Street in the city centre and a 40,000 sq ft unit to the south.

Some 23,000 sq ft of office space will come onstream early next year in the Bon Accord shopping centre (whose developer is Bredero) in the heart of the city. "But there's not much else about that is at all advanced," says Mr Pearson. When rental levels of about £12 are firmly established institutional investors may look again at the Aberdeen market and create new office space.

James Buxton

SCOTTISH PROPERTIES 3

English entrepreneurs are pushing up country property prices

Europe's last wilderness

IT IS STILL possible to become landed gentry in Scotland for less than £1m - but only just.

A wave of acquisitive English entrepreneurs has pushed the price of country property to unprecedented peaks, and property agents are basking in excess demand that has become a distant memory in the south.

Foreign buying of Scottish country estates is nothing new. Prince Albert bought Balmoral in 1847 for the young Queen Victoria. A century and a quarter later the Dutch, starved of open spaces back home and helped by a strong guilder, took a shine to the region. They were followed quickly by Scandinavians and then a cross-section of Middle Eastern buyers – including the Al-

Buyers want to be able to shoot grouse, fish for salmon and stalk deer on land of their own

Fayed brothers, who own Harrods. Since the middle of this decade the English have returned.

What attracts them all is the ownership of open spaces. "The last wilderness in Europe," is the estate agents' catchphrase. Buyers want to be able to shoot grouse, fish for salmon and stalk deer on land of their own. In the environmentalist fashion, wilderness has become particularly desirable.

The moorlands and mountains have never been closer to London. The A9 road from Edinburgh to Inverness was rebuilt in the mid-1980s. Regular shuttle aircraft from Glasgow and Edinburgh to London means that a trip from the Highlands to the City can take less than three hours.

Property agents say that the fax machine and and the telephone make for a ready market for retiring financial advisers.

Demand continues to outstrip supply. Scotland has had a historically low population, concentrated, since the industrial revolution, in and around cities. Add to that a century of the accumulation of land into ever larger estates. The result is not many huge houses, even fewer middle sized ones and a handful of cottages.

The flow of new properties put up for sale is irregular. They tend to come onto the market either because the owner has died, and the successors have less enthusiasm for the estate, or the cost of upkeep has become too high.

The result is inflation. Mr William Jackson, of estate agent Knight Frank and Rutley in Edinburgh, estimates that this year alone prices have risen 35 per cent across the board. This summer, the island of Gigha – 6 miles long, 1½ miles wide, 3 miles off the Kintyre peninsular and including a fish farm – was sold for £6m.

Mr Andrew Rettie, at estate agent Strutt and Parker, divides residential country property into sporting estates and country houses. The former consist of between 3,000 and 50,000 acres and the most popular include a cross section of country sports: deer stalking, grouse shooting and salmon or trout fishing. They have a shooting lodge, couple of cottages for staff, and usually cost between £750,000 and £5m. Such estates have doubled in value since the start of 1989, says Mr Rettie.

The price is set by reference to the numbers of deer and grouse killed and fish caught in a year, as well as acreage. Location matters little, says Mr Rettie, because of the increase in the number of air connections from Inverness and Aberdeen. The buyers are largely English, but there are also Scandinavians, Germans and Belgians.

The other market is in country houses, much sought after by a new generation of financial services professionals attracted to Edinburgh, which is promoted as Europe's second financial capital after the City of London. A typical country house comes with five acres of land and costs between £400,000 and £1m – about 250 per cent higher than at the start of 1987.

In common with other agents, Mr Rettie remains confident that the price stagnation of the south will not spread to Scottish country property in the short term. "There is at least a couple of year's growth in the Scottish sporting estate market, especially from European buyers."

According to Knight Frank and Rutley, £1m can still buy 1,000 acres of a mixed estate in central Scotland, a five bedroom, five reception room house with outbuildings and maybe cottages. Even that is not as expensive as it looks, because the sale of hunting shooting and fishing rights can cover much of the running

With the shuttle service, a trip from the Highlands to the City can take less than three hours

costs. Few buyers need to resort to such money raising ventures, however.

If you want more countryside for your cash you must go further away from the airports, to the far west of Scotland. On the Isle of Skye the asking price for a five bedroom house in 8,000 acres – mostly wooded but including two mountains over 2,500 feet high and some loch frontage - is just £300,000.

Agents are keen to give the impression that local populations welcome their new and richer landlords.

Scotland's archaic property laws add spice to any deal. In principle the seller of land can specify the retention of certain rights, such as mineral rights. The exercise of these rights is rare, but one recent seller did specify that new owners should not use the land for forestry.

Such is the demand for sporting estates that even farms with the odd patch of woodland or trout ponds attract a healthy premium. With a restored farmhouse, they can fetch more than £2,000 an acre and are classified as a residential unit.

There is less call for commercial farms, costing £1,600 to £1,700 an acre. Even here, however, prices are firm as prosperity leaks from the south. Much of the demand comes from English farmers on the edge of urban developments. They sell up to house builders and move. "It is very attractive to be able to sell 200 acres in one part of the country and buy 600 acres up here," says Mr Rettie.

Danny Green

ON THE WATERFRONT

Fresh face for derelict docks

IF ANYTHING is likely to fire the imagination and enthusiasm of developers and local authorities alike, it is the prospect of turning derelict docklands into landscaped waterfront delights.

The pressure for such change is strong in Scotland. Heavy industry, especially shipbuilding and docks, have all but vanished. The wasteland that remains commemorates only extinct industries.

Fortunately, the growth businesses of the decade – retailing and leisure – seem well suited to waterfront developments. The examples have been set in London, Bristol and Liverpool, and developments in Glasgow, Edinburgh and Dundee aim to emulate their success. When plans are completed, Scotland will have a string of waterfront leisure parks, including what may be the world's first refrigerated heritage centre, in Dundee.

The success of Glasgow's Garden Festival in 1988 highlighted the potential for the River Clyde. The latest waterfront enterprise zone, a few miles downstream at Inverclyde, has had the enterprise zone status since March 1989.

In spite of the many remnants of defunct heavy industry, Inverclyde has plenty to make it attractive to inward investment. The golf courses and rugged rolling hills have already helped pull in Americans and Japanese. The region is at the western end of Silicon Glen, Europe's largest concentration of electronics assembly plants and it includes the giant IBM factory at Greenock. Indeed some of the land earmarked for development separates IBM from the coast.

Town centre land was acquired from the Glasgow Port Authority in the summer of 1986 and planning permission was obtained for a waterfront retail site in 1987 at about the time of the last shipbuilding redundancies.

Since then, progress has not been so smooth. The SDA had undertaken to reclaim the derelict port land, but ground conditions are worse than expected. The detailed plans were rejected by the council in 1988 and since then rising interest rates have put the centre on a back burner. The SDA hopes that the project will be complete by Christmas 1990. If all goes to plan, the high street will be roofed in, by Ossory Estates which has leased the area from the council.

Leith is Edinburgh's waterfront, where the intention is to turn former whisky warehouses into a giant retail development. Once the intention was to spend £400m on 500 acres, including reclamation. Even though the project has been considerably scaled back, the going is still tough. "Progress is being hindered by a lack of infrastructure," says Mr Matthew Edgar of chartered surveyors Weatherall.

Mr Tony Hunter of Conroy Hunter, agrees: "The area needs public money put in to create the infrastructure; road communications are difficult." He is more outspoken when he says that there have been suspicions that the Leith plans are overambitious. "The Forth Ports Authority is trying to persuade everyone of the need for a huge development."

Perhaps the jewel in the crown, as far as the Scottish Development Agency is concerned at least, is Dundee.

Once reliant on the three Js: jute, jam and journalism, only the last named remains in any strength. The city is now studded with public sector owned enterprise zones whose occupants do not pay rates until 1994. When complete, the flagship waterfront project will have cost £45m, of which the public sector contribution is about one seventh. In the words of one property consultant, "the SDA has pumped a lot of money into Dundee."

The shipyards of Dundee built The Discovery, in which Captain Scott sailed to the Antarctic, hence the planned refrigerated heritage centre where visitors will be treated to an "Antarctic experience." Even roads are being rebuilt to skirt this former railway marshalling yard.

The Antarctic heritage centre will become the centre of what the SDA calls a leisure centre "string of pearls" along Scotland's east coast. Edinburgh, Dundee and Aberdeen. Dundee heritage centre is hoping for 190,000 visitors a year. It should not be such a difficult target, considering Scotland welcomed 12m visitors, half from England, last year.

The development is, however, not without its problems. The city, Scotland's fourth largest, has traditionally missed out on commerce, finance and oil. There are no motorway links, only one scheduled international flight and none to London.

Ford's decision not to build its motor electronics plant in Dundee still hurts. The greenfield site remains untenanted. There have been problems with the cinema complex planned for the waterfront site. The original intended occupiers were taken over and the new owners are reconsidering their plans. The SDA says others cinema operators are queueing up to run the centre.

Some developers think the emphasis on waterfronts may be overdone. One says development has taken place at some waterfront sites at much greater expense than would have been the case with land a little way inland.

The remaining wasteland commemorates only extinct industries

The matter of infrastructure preoccupies many. Congested road access is one problem, partially countered by recently improved road links to Aberdeen and Inverness. The SDA points optimistically to the electrification of the east coast railway line.

The drive for development has largely come from the public sector. Tourism, designed both to attract repeat visits from Scots and the more seasonal influx of foreigners is a high priority. Local authorities have been keen to clean up relics of an economy based on heavy industry, such as shipbuildings, docks and associated railways. They have teamed up with the SDA to reclaim land, improve road and pedestrian access to encourage the private developers in.

In place of docks have come retail superstores, in place of sidings are will heritage centres. As one player in the east coast development wryly observed: "We need some competition for Loch Lomond."

Danny Green

Ackergill Tower, Wick, Caithness: fifteenth century castle which, after a £1m renovation, is a venue for business entertaining

Danny Green finds retail sites in big demand

Centres of action

IN SOME WAYS Scotland has what developers of retail sites most want: relatively few shops and high retail spending per head.

The result of this combination has been an explosion in the number of planning applications for, and construction of, shopping centres. In a heavily-populated strip across the middle of the country, from Greenock in the west to Leith in the east, interest from developers has never been higher.

Part of the reason is demographic. Scotland is one of the least exposed of UK regions to a spending squeeze generated by high interest rates. In Scotland, fewer people own their homes than in the south, and their mortgages and mortgage repayments are lower.

The average monthly mortgage payment among Scottish home-owners last year was a shade above the national average at £125. But only 26 per cent of Scots pay mortgages, compared with 32 per cent across the nation, according to National Opinion Polls. Just to add icing to the cake, Scots have a lower level of car ownership than people south of the border.

Developers and agents suggest that London is a source of volatility in the economy. By comparison, Scotland is more stable. "Scotland has been less affected than the south by the retail downturn," is a familiar refrain.

Another encouragement for shopping centres is that prime city centre sites are rare and expensive. At the top is Edinburgh's Princes Street, while Glasgow is hard on its heels with its retail "string of pearls" - the "s" shaped trio of Sauchiehall Street, Buchanan Street and Argyll Street.

Even the Japanese are interested. Kumagai Gumi, the construction company, is building a £100m office development on the Broomielaw – a road along the banks of the Clyde in Glasgow – which will include retail outlets.

Mr Tony Conroy, of Edinburgh estate agency Conroy Hunter, sees the best opportunities in the Glasgow suburbs and in central Edinburgh, above Waverley Station.

Retailers and developers are still wary of committing themselves outside those top locations. Rentals even here can be low relative to the south. Mr Conroy rates Princes Street, at around £150 a sq ft, as undervalued, as is Glasgow's Sauchiehall Street. He identifies Ayr and Dumfries as having particularly limited space available in the high street. "Inverness will grow quickly, but from a low base."

Margins for developers are still well below those in the south-east. But one indigenous developer, DCI, predicts an influx of rivals from the south. "It happened in '74 and it happened in '84," says Mr Allan Campbell Fraser, chairman of DCI.

There is much optimism over the effect of the introduction of the uniform business rate next year. Scotland has re-rated its property more recently than England and there are many apocryphal stories of rates paid on Scottish stores being much higher than larger English counterparts. The House of Fraser store in Glasgow, Arnotts, paid almost £1m in rates in 1987. Harrods' London rates bill was £1½m. Arnotts could fit many times over into Harrods' 20 acres of selling space.

Mr Campbell Fraser estimates that Scottish rates are about three times those in England. The difference is so drastic that closing the gap might be phased in over five years, he says. The process, however, "will help developers' margins".

The usually hyperactive Scottish Development Agency has taken relatively little part in promoting retail property. One exception is the St Enoch's centre in Glasgow. There, in the words of Mr Iain Robertson, the SDA's chief executive, "we tried to get rid of the huge negative value of the derelict site . . . of what was once Glasgow's third railway station."

No such help was required for the upmarket Prince's Square shopping centre, famous for attracting the approval of the Prince of Wales (see picture Page 1). It is built behind a Victorian facade and houses upmarket, high-ticket outlets.

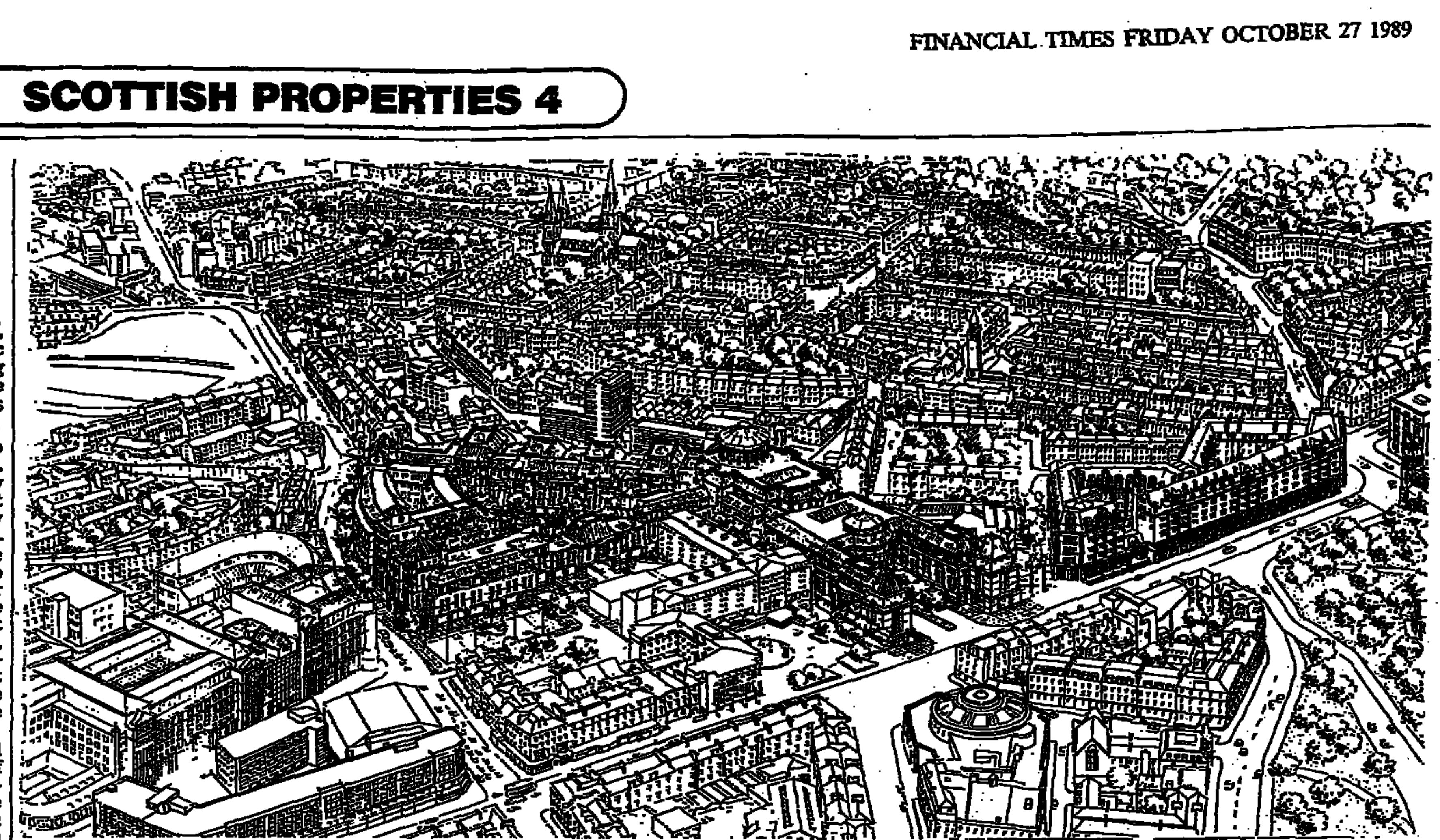
Glasgow's theme of centralising shopping centres – add the soon-to-be-completed Cannon Centre to St Enoch's and Princes Square – is not echoed in Edinburgh. Developments there have been on the edge of, rather than in, the historic town centre, as planning authorities strove to preserve what they saw as Scotland's number one tourist attraction.

Scotland has not taken to out-of-town shopping centres. Planners have generally refused permission for all but one for each city, fearing they would damage city centre business. In June, for example, the Government blocked two schemes, one from Rover Group for a 1.3m sq ft centre on the site of its defunct vehicle plant at Bathgate, about halfway between Glasgow and Edinburgh, and one at Newhouse on the eastern edge of Glasgow which would have created 1m sq ft.

Besides, as Mr Michael Ryder, managing director of Debenham Tewson and Chinnocks in Glasgow, claims the low car ownership, which helps give citizens so much spending power, runs contrary to the out-of-town concept. Even town centres do not necessarily have it easy. Parkhead Forge in the east end of Glasgow, by the Celtic football ground, is one that is said to be struggling. "It hasn't been as successful as hoped for," acknowledges one agent. "People get caught up in hype and expect too much too soon," explains Mr Campbell Fraser of DCI.

However, there is still room for growth. One role that the SDA can play is in feasibility studies. Greenock encompasses developments at Inverclyde and the giant IBM manufacturing plant. The spending power of 100,000 people without a shopping centre has been leaking away to Glasgow, 1½ hours distant by road. Aberdeen now has a trio of shopping centres. The biggest is Bon Accord, a city centre development by Bredero. The developer has, in effect, a profits sharing arrangement with the local council. Bredero pays ground rent of £40,000 to the city council and once the return on the project reaches 9¼ per cent, the city council takes 16½ per cent over that figure.

Few dissent from the view that out-of-town shopping centres are not going to figure highly in Scotland's future. The action will instead concentrate on city centres.



An impression of the proposed Lothian Road development in Edinburgh which includes a conference centre (see Page 2)

INDUSTRIAL

An air of excitement

FOR MORE than a decade, industrial rents in Scotland have been so low it has been cheaper to buy existing industrial units than to build them.

For the 15 years to 1987, rents barely changed in real terms. But over the past two years, the property price boom in the south has leaked across the border. Rents have edged ahead from around £2.75 per sq ft to £3.50 in the highest yielding areas of central Scotland. Some new projects are attracting £4.

The rise in prices has led to an air of excitement as developers see the potential returns from Scottish industrial property. Optimism on investment returns is tempered by fears that there may soon be a glut of land available .

Although much of the price increase so far has been on the coat-tails of the rest of the country, the driving force behind developments in the industrial property sector is about to come from within Scotland itself. The Scottish Development Agency and the New Towns, which dominate the public sector holdings, and which therefore account for a majority of all industrial properties in Scotland, are to divest themselves of their property holdings. The details of the sell-off have not been finalised, and the uncertainty has encouraged developers to put some of their plans on the backburner.

The SDA is Scotland's biggest industrial landlord. According to conservative valuations made in 1988, it has property assets worth about £175m, and has dominated activity. The Government has told the SDA to divest itself of property assets worth, say some property professionals, around £140m, and has told five New Towns to sell property worth £200m. The change will be profound. "Scotland has not had an open market in industrial property," says Mr Matthew Edgar of Edinburgh-based chartered surveyor Weatherall. "Most of it is controlled by the SDA and the New Towns." He says the public sector officially charges open market rentals, but offers incentives, such as a year rent free. He acknowledges, the SDA is instrumental in attracting investors.

The influence of the SDA is on the wane even before the property disposals, according to Mr Roy Durie, a managing partner of Ryden, Edinburgh-based property consultants and chartered surveyors. "The Garden Festival took more of their resources than they wanted – they have already postponed several schemes."

Despite its status as an arm of government, most independent players are complimentary about the role of the SDA. "We have come a long way from Linwood," said a developer, referring to the ill-fated and state-inspired attempt to keep car manufacturing alive in Scotland.

Agents are cautious over the possible price-depressing impact of what might be a glut of new property on the market. Mr Durie says public sector disposals "must have an adverse effect on development." On the bright side, he says the Government subsidy will disappear, "so rents should eventually float up to commercial levels".

He says high interest rates have already put off buyers. On the other hand, lettings are more popular through, for example, leaseback and especially for the smaller sites. Some 80 per cent of industrial properties, mainly in the 3,000 to 5,000 sq ft range are owned by investors. The remaining 20 per cent are owner-occupied, mainly on sites of more than 20,000 sq ft, says Mr Durie.

The SDA is keen to play down any impact the sell-off might have. "High interest rates rule out a quick sale," says Mr Iain Robertson, the SDA's chief executive. "And we will be seeking pro-active buyers, not traders."

The SDA and other sources acknowledge the intention is to sell everything to two, or maybe three if necessary, buyers. The tranche of property to be divested was valued at £100m in 1988, but the SDA hopes to raise more than this. The two portfolios up for sale are split 80:20, according to one agent. The £200m New Town portfolio will be sold off over a longer period. Private sector local development companies will replace the development corporations of all five New Towns. East Kilbride and Glenrothes will be the first in 1991, followed by Cumbernauld in 1993, Livingston in 1995 and Irvine in 1996.

Although the process might change the price of land, few think it will change the profile of new arrivals in the market. Buyers tend to be British companies, traditionally in engineering, while foreigners, often in electronics, want to lease. The SDA's "Locate in Scotland" programme has been targeted mainly at the US and Japan, to the detriment, say some agents, of the south-east of England. "We fail to market the Scottish quality of life to the south-east," said one property consultant.

The Japanese are still big investors in Scotland. The country has a high international profile. Low staff turnover and wages help, as do golf and whisky, which between them make the country a household name in Tokyo. The establishment of "Silicon Glen" through the 1980s means there is a pool of experienced labour. Foreigners continue to build electronics plants. The list of names is impressive: IBM, Compaq, NEC, Motorola and more. The shock of seeing Wang pull out early in the summer is countered by the SDA who point out that the property vacated is already taken by Compaq.

One key attraction of the New Towns is that they have their own planning authorities. Livingston is identified by one chartered surveyor as being the nimblest in attracting new residents. Others say Cumbernauld has overcome its early poor image. East Kilbride is running out of land as one or two of its residents hit hard times – Anderson Strathclyde, the mining equipment subsidiary of Charter Consolidated, said in July it was closing its East Kilbride plant as part of a drive to improve return on capital. National Engineering Laboratories is to be restructured following unsuccessful attempts to privatise it. The SDA and others are looking forward to the arrival of the uniform business rate next year. Mr Robertson said: "It will help give confidence that rental levels will have a steady base."

If the SDA's hopes are borne out, rates reform and the privatisation of large tracts of industrial property in Scotland will eventually re-invigorate industrial investment. In the short term, few dispute that uncertainty will encourage developers and investors to stay their hands.

Danny Green

COST OF HOUSING

Prices still on the up and up

IF YOU see house prices as a measure of a country's economic, political or even emotional health, then Scotland has been a reasonably prosperous place in the past two years.

The phenomenon of sharply rising home prices, previously thought to be confined largely to the south of England, has reached many parts of Scotland. Unlike the southern half of Britain, the rise has continued into this autumn with little sign of flagging. Although the differential between house prices in Scotland and in the UK as a whole has not closed, important changes are taking place in the structure of the Scottish housing market.

The boom in house prices came later to Scotland than to other parts of Britain as the ripple of price increases spread from the south. Edinburgh was the first city to be affected in a big way, partly because of the arrival of new well-paid executives recruited from the south to work in the financial services industry.

They had realised large sums of money for their homes in London and the south-east and were prepared to bid highly for the relatively few sizeable detached houses available in Edinburgh and in the surrounding countryside. Later the Glasgow area enjoyed something similar as British Petroleum moved several hundred executives to Glasgow.

Other people moving up from the south, either to retire to their homeland or to seek what they saw as a superior quality of life in the unspoilt Scottish countryside, helped trigger price rises. In 1988 the average price of all houses in Scotland rose 22.1 per cent, according to the Halifax Building Society, with Edinburgh going up by 39.5 per cent, Glasgow by 29.4 per cent and Aberdeen 35.8 per cent.

The rises have continued this year, according to the Halifax. By the end of the third quarter of 1989 the average price of houses in Scotland had risen by 19.8 per cent in the preceding 12-month period. Scottish house prices continued to go up because of unsatisfied demand and the fact that Scottish house buyers, being less heavily borrowed than their counterparts in the southern half of Britain, were less affected by high interest rates.

There are big differences according to place and type of property: detached houses in Edinburgh rose 72 per cent in the year to September 1989, while those in Glasgow went up 40 per cent and Aberdeen 32 per cent. The average price of a semi-detached house rose by only 7 per cent in Edinburgh, while it went up by 18 per cent in Glasgow and 16 per cent in Aberdeen.

Edinburgh was the first Scottish city to be affected in a big way

But some of the steam may have gone out of the market in the third quarter of the year. Mr Mike Rutterford, managing director of Stuart Wyse Ogilvie, which claims to be the leading chain of estate agents in Scotland, says that the number of buyers in the market are down by 25 per cent. "Lawson's policies have bitten up here, too," he says. He was speaking before the base rate went up to 15 per cent, which could further deter first-time buyers.

However, the Royal Institute of Chartered Surveyors in Scotland says up to the end of August there was no sign of recession reaching Scotland. Prices achieved were often 50 per cent above the asking price.

In Edinburgh the Edinburgh Solicitors' Property Centre, the major force in the Edinburgh market, reports only a 10 per cent drop in sales volume in the third quarter. The outlook appears to be for house prices in Scotland to continue to rise, though less fast. Yet in spite of the continuing increases the gap between house prices in Scotland and the UK average has not closed.

Whereas at the end of the last house price boom in the early 1980s average prices in Scotland were only slightly below the UK average, the Scottish average was £47,301 at end-September 1989 against a UK average of £62,238. For most other parts of Britain, says Mr Gerry Marsh, the Halifax's economist, the differential between different areas has come back to the historic norm, but for Scotland that has yet to happen and he does not believe it will happen in the current cycle.

That means that it is still relatively cheaper to live in Scotland than elsewhere in Britain. However, Mr Rutterford, whose company is now the Scottish estate agency arm of General Accident, says: "There is an underlying confidence in the Scottish market that wasn't there three years ago. There's a feeling that we are in for a prolonged period of prosperity."

He argues there is strong latent demand in the market, even though it may not be realised immediately. "When interest rates come down English people will be able to sell their homes again and come up here, and there's tremendous demand from Scots who want to upgrade themselves." According to Government statistics the percentage of Scots owning their own homes has now reached 45.7 per cent compared with 35 per cent when the Conservatives came to power in 1979, thanks in part to the success of legislation giving council tenants the right to buy their rented properties.

Mr Rutterford quotes sample surveys suggesting owner occupancy may now be around 48.5 to 49 per cent and could go through the 50 per cent barrier next year since council tenants are still buying heavily. "That's a fundamental change," he says. "The new owners, who bought at a big discount, realise they are sitting on a substantial profit and will go into the market place to buy a bigger and better property for their family. This is an important source of latent demand."

Mr Rutterford is meanwhile one of the leaders of another big change in Scottish residential property: a gradual switch in many areas from the use of solicitors to estate agents in the sale of property. Scots have traditionally used their solicitor to sell their properties for them, as well as handle its conveyancing.

Only in Glasgow did estate agents always have a strong hold. In other towns, especially Edinburgh, the solicitor not only handled the conveyancing of a property but advertised it and negotiated its sale. Estate agents have grown up over the past decade in the east of Scotland, partly out of dissatisfaction with some solicitors' past marketing techniques, which amounted to little more than advertising the property.

'There's a feeling we are in for a prolonged period of prosperity'

As estate agents began to make inroads into the solicitors' property business solicitors reacted by becoming more like estate agents in their activities: some solicitors' offices now look remarkably like those of estate agents.

In Edinburgh and several other towns, solicitors use a centralised property marketing operation: the Edinburgh Solicitors' Property Centre (ESPC) is a single shop which displays details of all the properties being offered by the area's solicitors and claims to have 82 per cent of Edinburgh's housing transactions, largely fighting off the estate agents in the city, though not in the surrounding countryside.

"The solicitors' property centres will be fine until supply exceeds demand," he argues. He says the weakness of the system became clear when house prices slumped in Aberdeen in 1986-87 because of the downturn in North Sea oil activity. "There were far too many properties being advertised by the centre. Aberdeen needed salesmen," he says. "We went in and set up an office there. Now we've got 12 per cent of the Aberdeen market."

James Buxton

TECHNOLOGY

Della Bradshaw explains why companies are choosing to let private contractors manage their facilities

One's burden is another's profit

The American state of New York and Birmingham in the UK may seem worlds apart. But technologically they have at least one thing in common. The governing authorities in both places have washed their hands of some of their information technology facilities. Rather than running them themselves, they have decided to pay private companies to operate the services for them.

But would you hand over your computer systems or telephone network to be run by an outside company? A growing number of companies – from banks to retail chains and manufacturers to services companies – are doing just that.

They are employing organisations – with the confusing title of facilities management companies (FM) – to run these services. (In the US, facilities management refers to the running of systems within a company by its own staff.)

In the case of Birmingham City Council, the computer services are now being run by ITnet, of Birmingham, in a deal worth £30m over five years. New York state has handed over all of its telephone services to the New York telephone company Nynex.

But most companies are still wary. In particular, there are *two "emotional hurdles"* that companies have to overcome before they opt for FM, says David Andrews, partner in charge of Total Support Facility (TSF), the FM arm of Andersen Consulting.

The first is the belief that information technology is *too* important to leave in the hands of outsiders. The second, that the information is *too* valuable to let outsiders even sneak a look at it.

For some companies, such as DRG, the diversified paper and manufacturing company in Bristol, there were no qualms on these counts. Because DRG sold its computing centre to TSF as a discreet business, the same people were employed to run the services, reports Donald McPhee, administrative director of DRG.

FM companies also argue that the security in most companies is minimal anyway, and far more stringent measures are taken by the agency which is under contract to provide secure services. TSF, for example, has at least one data centre designed to withstand a terrorist attack. A contract agency can be sued if the system goes down or data lost – an in-house department cannot.

Many other European companies are surmounting these hurdles and following their US counterparts in signing up for FM. Although there are no official figures for the value of these contracts, estimates put the revenue for computer installations in the UK alone at about £400m this year. Three years ago the figure was negligible.

There are several reasons why companies choose to use FM companies rather than go it alone. The main catalyst is that the company is at a "crossroads" in its information technology development, says Peter Falconer, marketing director of the facilities management division of the Hoskyns group in London.

The Lewis's Group of Salford, a department store chain, is a case in point. It signed an FM contact with the London arm of Electronic Data Systems of the US to run its computing and telecommunications facilities when the retail chain separated from Sears, its former parent. After the buy-out the company was faced with the choice of installing its own computer or going for another option, such as FM.

The company wanted to expand its main business – retailing – and increase its number of stores from 10 to 12. What it did not want to do was to worry about the telephone network and data processing centre.

Birmingham City Council opted for FM when it could see such a crossroads approaching. It wanted to pre-empt probable Government rulings that computer services – like street cleaning and rubbish collection – should be put out to competitive tender, says Bernard Farrar, city treasurer. Instead it negotiated the deal with ITnet under which any of the 170 computer department staff could transfer to the FM company.

A more recent development is that companies are finding it increasingly difficult to employ suitably qualified staff, reports Falconer. "We are noticing that people issues are the biggest ones. It's a seller's market at the moment."

Companies are therefore offloading the burden of recruiting qualified staff on to the shoulders of FM companies. Falconer believes companies can keep their staff because they can offer them more exciting projects. The bread and butter tasks of FM employees are upgrading software or dealing with a systems crash – the sort of work computer staff within a company rarely deal with.

But in the end, says Andrews, "It's all a question of money." Although Birmingham City Council, for example, is paying about £6m a year to ITnet, Farrar believes the council will save about £1m a year.

There are three main areas of savings for companies opting to go down the FM route:

- They are often swapping a fixed cost (of buying new equipment) with a variable cost spread over a period. As information technology equipment has a higher rate of obsolescence than the average piece of, say, office furniture or machinery, many companies are persuaded that they can drop out of the race and let a contract person keep in touch on their behalf.
- They use extra services only when necessary – and do not have the expense of installing the equipment to deal with the peaks. That does not just apply to companies with a seasonal market, but to companies which need to employ extra staff for a short period for a host of different reasons.

Stockbrokers Laing & Cruickshank, for example, has gone to Hoskyns to supply an injection of temporary staff while it changes over from an IBM computing system to one using Digital Equipment and McDonnel Douglas equipment. During the change-over period Hoskyns will run the older system as back-up, while the Laing & Cruickshank staff are trained to use the new system.

- They accrue savings through the economy of scale in which the *FM* companies operate. FM companies, for example, can afford to buy mainframe computers and divide them up so that different parts are used for different clients. They can also employ groups of staff with a specific expertise which a number of clients need. The former DRG computer centre in Bristol, for example, has been expanded by TSF so that it can be used by other companies – or by DRG should they need the extra capacity.

But an FM contract is not cheap. The Lewis's Group, for example, has employed EDS to run its telecommunications and computing facilities contracts for seven years, plus a start-up period of five months. It will pay £10m over the lifetime of the contract. What it gets for that is hard to define, but it includes certain upgrades to the systems.

Some companies may be unimpressed with the vague contracts that FM companies produce. One reason is that they can cover a gamut of services, such as taking over existing facilities or installing new ones. Contracts can last for a few months to up to seven years. Equipment can be owned by either the FM company or the one needing the computing services.

Another reason is that the services can change as the needs and direction of the managed company change. "It sounds a bit hackneyed, but we try to think of a contract as a working document, a reference document," explains Falconer.

Those companies which have opted for FM rebut the view that handing over their information technology operations or telephone systems is admitting defeat. They insist it is exactly the opposite.

They believe that they have offloaded an expensive management burden and given divisions the freedom to pick the best deal, by competetive tender, to follow their business plan. "We wanted to make sure management had the opportunity to obtain services where appropriate," Says McPhee.

WHETHER your information technology services are run by your own staff or by an outside agency, the computer is on hand to help you manage the equipment.

Systems for premise management (also called facilities management or integrated building management) enable companies to move their furniture and equipment around on the computer screen before they move them for real.

The systems have proven particularly useful in companies where staff change their jobs or location frequently. In banks, for example, it is estimated that the "churn rate" is at least 100 per cent a year, says Graham Hewitt, marketing manager for Isicad, of Wokingham, which produces these computer systems. "We can't reduce the churn: it's part of the business," says Hewitt. "What we can do is reduce the pain and reduce the costs."

Companies that have already taken the plunge include the Stock Exchange, Shell and National Westminster Bank. Systems suppliers Decision Graphics, of Crawley, and traditional computer-aided design companies such as Integraph, of Swindon, sell systems that help automate at least part of the process.

To use premise management tools, the company has to feed in the data available on the location of terminals, cabling, fire alarms and security systems.

The system provider looks at the reporting structure and management procedures followed within the company. Some companies may want to charge individual departments for the floor space they use, and that approach would have to be fed into the computer.

Once the computer is programmed, drawings are displayed on the screen of the wiring, furniture and so on. To move an employee's place of work the desk is highlighted on the screen and then moved to another location.

If that employee needs, say, a telephone, computer terminal and access to an electronic news service, the system would highlight the nearest sockets or connection points for those services. Once the move is approved, a work schedule and plan are printed out for the engineer to follow.

Hybrids make the grass grow greener

Blotting out the sex of a crop plant is the key to a biotechnology breakthrough being claimed this week as a big advance in hybrid seed production.

Plant Genetic Systems, a private company based in the Belgian city of Ghent, believes its discovery will help the agriculture industry to create hybrids which have not been previously developed because of technical difficulties and economic constraints.

According to Jan Leemans, research director of PGS, the company's system has been applied to oilseed rape and is being extended to other cash and industrial crops, including vegetables and cotton.

Since the introduction of hybrid corn in the early 1930s, seed companies have been searching for more efficient ways to make hybrid seed. Plant breeders create hybrid varieties to develop crops which will perform reliably year after year. Hybrid seeds give farmers a more consistent yield and a crop which is more vigorous and more resistant to pests and disease.

Plant reproduction, as PGS explains it, can be accomplished in two ways. The first is through self-pollination, in which the pollen from a plant fertilises the pistils (female reproductive organs) of the same plant. The second method is cross-pollination, where pollen from the anthers (the male reproductive organs) of one plant is carried to the pistils of another plant.

Hybrids are created through cross pollination. Different lines of the same or similar crop species are combined – each with specific desireable traits – by using a male sterile line to ensure that the crop does not self-pollinate. The male sterile parent is crossed with a line capable of restoring fertility to the first generation offspring of the cross.

PGS says that its scientists – in collaboration with Professor Robert Goldberg, an expert in plant gene regulation at the University of California at Los Angeles – have succeeded in isolating a promoter that allows the expression of a gene exclusively during the development of a plant's anthers. Leemans says this anther-specific promoter has been used to express a gene conferring male sterility in the plant.

Through this promoter a protein encoded by the gene is expressed during the critical few days when pollen would normally develop in a plant – thereby suppressing its production. The protein disappears after rendering sterile the plant male, allowing it to continue normal development.

Independent endorsement of the PGS claim has been given by Michel Renard, research director and plant breeder at the Institut National de la Recherche Agronomique in Le Rheu, France. He says the oilseed rape discovery "not only represents a major technological breakthrough, but gives breeders great flexibility to create new hybrid varieties."

Leemans adds: "A major advantage of this technology is that it can be applied to many crops without losing other important traits."

PGS's other developments include the engineering of insect resistance in plants – thereby eliminating the need for insecticide – and herbicide resistant plants intended to allow farmers to use a new generation of safer herbicides on their crops.

Tim Dickson

MANAGEMENT

For over a decade, well-meaning parents across Europe and North America have been giving their children "Speak and Spell" and other noisy electronic toys from the Texas Instruments stable.

As the toys grew ever longer in the tooth, TI's competitors began to think it had chosen to surrender the business, and many parents breathed a sigh of relief. But now it is back in the market with a vengeance.

This Christmas thousands of American children will unwrap one of TI's new range of "Learning Path" products, such as the "Voyager" voice recognition headset computer, and – hot onto the market this month – a "Listen and Learn" 12-sided ball which matches name and noise to whichever animal picture the child has turned uppermost. In Europe, the same range is starting to appear under the umbrella title of "toys with intelligence."

The individual most to thank (or blame) for some of the individual product ideas, and for inventing the "learning path" – a step-by-step progression of such toys for different age groups – is Gene Sulek, TI's chief industrial designer.

Sulek stresses that the conception and development of the product range has been very much a multidisciplinary team effort between himself and specialists in product management, marketing, engineering and production, as well as external design consultants.

But the team's leader, Elaine Kauffman, who is education products business manager in TI's consumer products division, says Sulek's involvement in the team "reached far beyond the normal role of an industrial designer – he's a real strategic thinker."

A study of the methods by which the Voyager and its fellow products were developed in double-quick time, leading to its successful launch in the US a year ago, forms just one of 13 such development projects from well-known companies in the US, Europe and Japan which have been on show in Boston this month in a remarkable exhibition called "Triad Design".

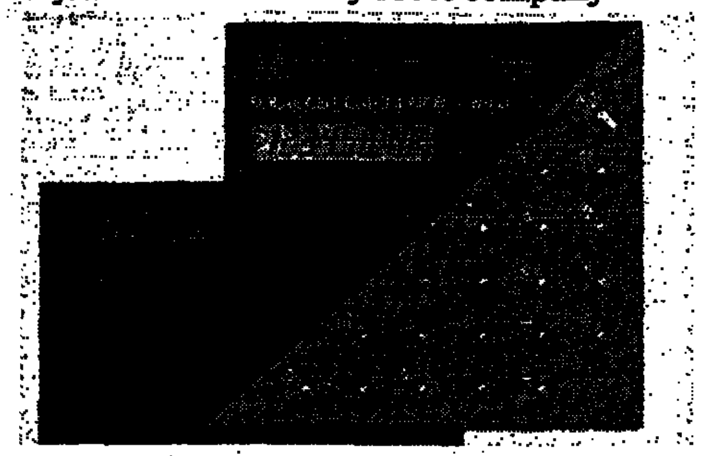
After moving to Chicago, the exhibition will visit Europe next year, starting with the Hanover Fair in March. A local language version is now on tour in Japan.

The show is significant for at least three reasons. Not only is it probably the best international exhibition ever staged on the process by which products are designed and developed, but it demonstrates that industrial design plays a strategic role far more frequently than is realised by most executives – including enthusiasts such as TI's Kauffman.

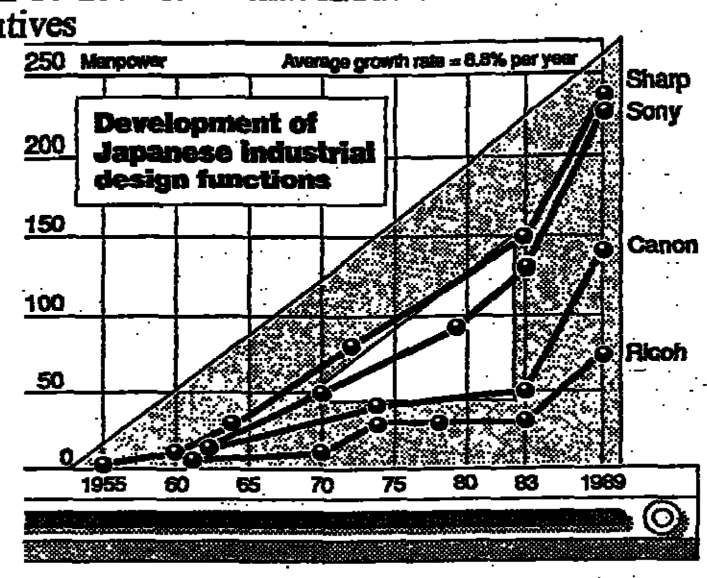
Product development

Unleashing the potential of design

Christopher Lorenz explains why an international exhibition staged this month in Boston demonstrates that industrial design plays a strategic role far more frequently than is realised by most company executives



Texas Instruments' Voyager headset (left) and Sharp's solar-cell calculator – two of the products on show at the Triad Design exhibition in Boston this month



The research effort which went into the exhibition also paves the way for design management to be taught at the Harvard Business School for the first time – a move which is expected to prove at least as influential on American industry as the London Business School's pioneering courses have been in Britain.

The show, which was designed by an American in collaboration with the exhibition arm of Giltspur, a UK company, was mounted by the Boston-based Design Management Institute. The latter also organised the background research.

Harvard professors were prominent among the 33 speakers at a four-day international conference in Boston earlier this month to coincide with the exhibition's opening. Among the corporate representatives were senior executives from companies as varied as Braun, Dictaphone, Digital Equipment, Philips, Sony and Yamaha, as well as TI.

Together, the exhibition and conference illustrated only too well why product design and development successes of TI's type are all too rare in US and European industry, and why Japanese companies are so often more effective at managing the development process.

Pinning Harvard Business School's colours firmly to the design mast, its Dean, Professor John McArthur told the conference that the Triad Design project dealt with a topic that US business schools had always neglected. The project would prove to be "the start of something big."

Design was increasingly critical in a fast-moving, competitive world, declared his colleague Professor Robert Hayes, whose 1980 article on "Managing our way to economic decline" helped reawaken US industry to the competitive importance of manufacturing.

Though design's importance is being recognised more widely than it used to be in the US and Europe, Hayes argued that "too many designs fail to meet customer needs, and we know very little about why some companies are better at managing design than others."

That is no longer true for the eight projects discussed in detail at the conference, and the full set featured in the Triad exhibition.

From TI's Voyager headset to Yamaha's first digital wind instrument, and from a Philips ultrasound medical diagnostic machine to a clever Swedish screwdriver made by Bahco, "Triad Design's" message is that considerable extra competitiveness can be gained by involving industrial designers as an equal partner with marketing, engineering and manufacturing throughout the development process. This is in sharp contrast to the way designers have been used in most companies, as "stylists" who are called in late in the process just to provide attractive shapes and colours.

As Gary Rado, TI's vice-president for consumer products, told the Boston conference: "We can no longer rely just on technology, marketing or price to differentiate ourselves. Design must be added to the list as a new 'enabler'." Coming from a company which has been dominated since birth by engineers, a commitment like that is doubly significant.

Though TI as a whole (as distinct from Rado's division) is still "a design illiterate company", in the words of its design chief Gene Sulek, it is clearly learning fast. On the still-expanding Learning Path product range, industrial design is most definitely working throughout the development process along with all the other functions, according to Kauffman. "It's a network throughout – a shared type of thrust," she says.

Similarly, the conference was told by a senior executive from Sony, Aki Amanuma, that industrial designers in his company frequently help initiate the basic concept for a product. Yet the Triad project research shows that, even in cases where designers' conceptual influence is less clear, they play an invaluable part in the product development process, not just because of their drawing and visualisation ability, but also through what Karen Freeze, the project's research director, calls their "multilingual skills" – their ability to communicate with a wide range of other disciplines in technical language that those specialists can understand. "Yet management does not often realise this," she says.

The most damning comparison of how manufacturing companies in different countries use design – or fail to – was provided at the conference in a joint presentation by two very experienced design professionals, Arnold Wasserman of Unisys (the computer company formed through a merger of Burroughs and Sperry) and Bill Moggridge of ID Two, a consultancy.

Wasserman, an American, is one of the few US design managers to have reached the level of vice-president (he previously held a similar position at Xerox), while Moggridge, an expatriate Briton, runs a San Francisco/London/Hanover firm which does a thriving business in Silicon Valley, Japan and Europe.

Design-conscious companies in all parts of the "triad" have moved through several stages of design management, according to Wasserman and Moggridge. Some have just relied on a "design person", either the company chief (such as Steve Jobs when he ran Apple, and now at Next computer), or the design director, such as Dieter Rams of Braun, Gillette's West German appliance subsidiary.

Others, including some which have since progressed from that stage, such as Apple and IBM, have moved on to "design policy", institutionalising design into a set of policies and procedures.

A third stage, which Wasserman and Moggridge call "strategic design" and which they exemplify by Sony, integrates industrial design more deeply into the company. In such cases, much of the design effort is devoted to such broad activities as lifestyle research, in order to anticipate product concepts ahead of competitors.

Charting the steep growth of design resources in Japanese consumer product companies (see chart), Wasserman and Moggridge said that design usually begins life as a small service department located within the engineering function. "Whereas most American industrial design departments remain buried six levels down, Japanese design has been recognised as a strategic weapon – it has been moved up, is directed by a general manager, and is seen as equal with other functions."

At Canon and Ricoh, for instance, design is organised as a separate business unit, while at Sony and Sharp the design chief has a seat on the company's board.

At Sharp, Ricoh and other Japanese companies, according to Wasserman and Moggridge, 4 per cent or more of the company's total budget for research, development and engineering is spent on design – at Canon and Sony the rate is as high as 6 per cent. Yet no major US company spends as much as 2 per cent, they said.

In contrast with the sharp increase in Japanese in-house design staff over the past 15 years or so, American numbers had fallen as part of the general drive to "downsize" corporate staffs. "Is there a message here?" asked Wasserman.

"American executives invariably feel that design should be free," he said. "Two per cent is the absolute minimum you can spend and hope to get anything back." Otherwise, regardless of what a company might declare about design's importance, "you have decided not to compete through design."

One of the problems, said Wasserman and Moggridge, was a difference in strategic philosophy between Japan and the West. Whereas western companies allow successful products "to roll on indefinitely, their Japanese competitors innovate continually." This not only keeps their product lines fresher and broader, it also enables them to sustain constantly active design and development departments. This, in turn, helps them accelerate the product development process – a common target of most companies these days, but one which many western companies are finding elusive.

Suggesting various ways of shortening the development cycle, yet of still having enough time to deepen the use of design as part of the corporate "thinking process", Wasserman and Moggridge drew extensively on the way Xerox used design as a central part of its competitive recovery process in the mid-1980s. By using input from market research, personal observations of consumer behaviour, technological trends and so forth, the designers "cooked up a creative soup," says Moggridge.

The end result was a range of copiers which were much easier to understand and use than their predecessors; this was part of the reason why Xerox's US market share bounced back to 55 per cent in 1985 from its low point of 41 per cent in 1982.

Wasserman and Moggridge's concept of "strategic design" may seem far-reaching, but it is not ambitious enough to satisfy two academics who argue that, for design to be completely effective, it needs to "infuse" an organisation.

Professor Henry Mintzberg, a Canadian who for years has been a leading scourge of the "scientific" school of strategy and management, told the conference that it was insufficient merely to advocate that design should be put on an equal footing with other, more conventional, functions. Instead "it has to infuse an organisation, just like quality," he said.

Angela Dumas of the London Business School, who originally coined the term "design infusion," was concerned that building up design as a separate function "builds barriers around it." Drawing a parallel with accounting, she recalled that accountants used to be tucked away in a corner of organisations before management accountancy developed. "Now everyone in an organisation does some accounting every day. The same is true of design – or should be."

An ambitious target maybe, but one which certainly intrigued the executives in the audience, as well as the Harvard professors.

Speyhawk opts for caution

By Paul Cheeseright, Property Correspondent

Speyhawk is taking on a more defensive attitude to the property market. It is not alone. A combination of overheating in the sector and a generally more gloomy outlook in the economy is making many of yesterday's freewheeling entrepreneurs into today's cautious financiers.

For some months now, conversation at the industry's lunch tables has circled around soft landings and hard landings. If there is any measure of agreement it is that for investors and developers the next couple of years are going to be duller than the last two.

"I've been in the industry for 25 years. I know its dangers," said Trevor Osborne, the chairman of Speyhawk. And, certainly, there are enough danger signals.

The growth in returns from property has started to slow, as the IPD Index has been indicating since the spring. Now the Bank of England has made another public warning about bank lending and the Confederation of British Industry has published its least encouraging survey about investment intentions for over six years. Strong demand for space is no longer spread through all sectors and there is a great deal of new building coming on stream.

The stock market is edgy, suspicious of the property sector generally and companies like Speyhawk in particular.

Speyhawk, indeed, had nearly 20 per cent of its market capitalisation wiped off on October 16 when the sector as a whole dropped 5.5 per cent. The company has been trading on a price-earnings ratio of just over 6.0. It is a company brokers like but from which new investors recoil.

The company is not helped by the fact that its shares are tightly held and thinly traded. On October 16 hardly any shares changed hands. "Investors don't want to invest in things which are ambitious," asserted Mr Osborne. What the market wants to invest in is non-risk, high yield and there's not too much thought for future growth. The share prices of companies representing growth will be held back."

Development companies, by definition, represent growth. Speyhawk has a development programme with a completed value of about £1bn stretching out over the next three years. Although it strengthened its capital base with a £20m preference share issue last May, its financial needs on the market are limited. But it needs to keep its share price up.

Hence the company has over the last two years been at pains to stress that it is building up its asset base as well as following its habitual line of business: finding sites, adding value with new construction and selling on.

This has made little difference to the way the market has regarded the company but it is an indication that defensiveness had begun to creep into corporate attitudes after the October 1987 equity crash.

But, now, changing conditions on the property market itself have meant other changes in the way Speyhawk does its business.

"We've sold one or two things of late. It's time to reduce gearing. It's prudent," said Mr Osborne. Around £95m was realised when, 10 days ago, Speyhawk with Reinhold, its joint developer, sold two central London buildings to Skandia Insurance. Last April, the Ramada Renaissance Hotel in Brighton was sold to Mount Charlotte Investments for £30m. Kings Cross House in central London realised £45m when it was sold to a consortium in March.

Last April, Speyhawk had recourse borrowings on its balance sheet of £54.58m. It was exposed to £6.33m on limited recourse borrowings taken out by special purpose companies within the group, and to a further £36.35m of borrowings held by joint venture companies in which it is involved.

Obviously the high interest rates are uncomfortable for everybody, but Mr Osborne draws a distinction between the sharp rise of short term rates and the more modest cost of longer term money. Eighty per cent of Speyhawk's borrowing has an interest rate cap.

Next month the 1988-89 figures will be published and they will show the exact extent of gearing. But it is not likely to be much less than 70 per cent on the balance sheet and perhaps as much as double that if off-balance sheet financing is taken into account.

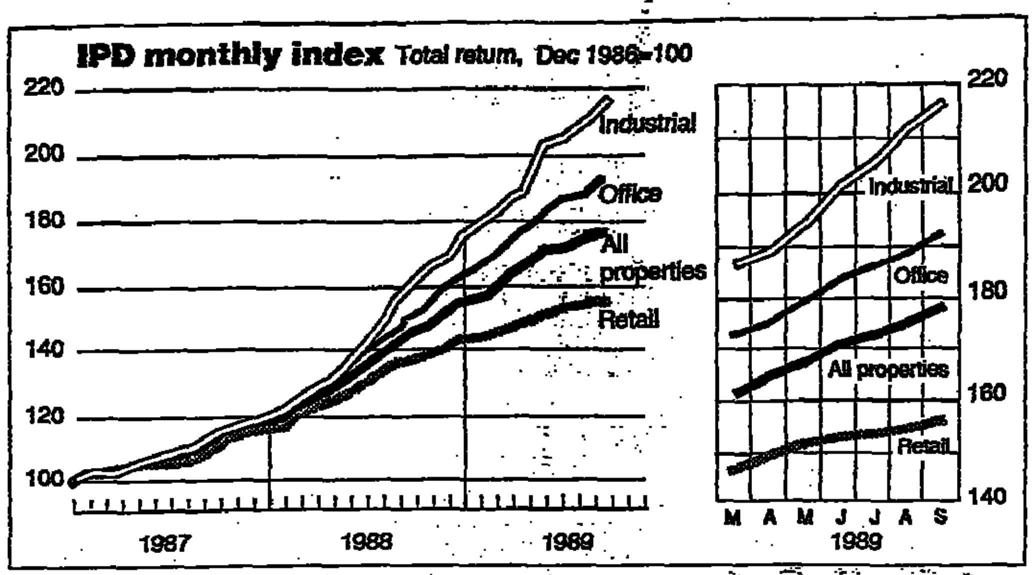
Using other people's money for development is scarcely unusual in the property industry. And there still remains plenty of it about. "I don't find banks as nervous as newspapers suggest they ought to be," commented Mr Osborne. Yet it is a sign of the changing conditions, a manifestation of its preoccupation with asset backing that the stock market is nervous about gearing. This has prompted a return to methods of funding that were more common before the surge in bank lending started.

"We're talking about forward funding (where an institution pays for a development and the developer takes an agreed level of profit if construction is completed on time, on budget and the building is let) and a year ago we wouldn't have done," Mr Osborne noted.

Forward funding is itself a form of restriction on the sort of development the company is prepared to undertake, because the institutions are not generally interested in fringe locations. This agrees with what the company is doing.

"It's time for a cautious approach, so you only go into projects which are actually prime. This is not a time for fliers," Mr Osborne observed. And "prime" denotes a number of things. In the City of London it means "this is the time to be only in core locations." And it means the construction of decent buildings – "people building cheap will find it pretty hard going."

Demand for space is holding up pretty well in the office and industrial sectors, less so in retail. But if interest rates stay high for more than a matter of months then there will be many more worried property people around than there are now.



Rental growth slowing

Property investments performed marginally better in September than in August, but the returns for the third quarter were the lowest of the year so far.

The latest figures from the monthly index of the Investment Property Databank emphasise the trend that became apparent in the spring: property continues to provide high returns but the rate of increase is slowing.

In September, the rate of rental growth remained high although diminishing in the speed of increase. Capital growth has been lagging in comparison with a year ago.

For the first nine months of the year, the total return was 15.1 per cent. Over the year to September, the total return on all properties was 22.4 per cent, but in the year to September 1988 it was 30.8 per cent.

Last month, the highest performer was again industrial property with a total return of 2.5 per cent. During the third quarter, total returns were 7.1 per cent, the highest for the year, and over the last 12 months have been 34.4 per cent. But in calendar 1988, the total return from industrial property was 46.7 per cent.

Total returns from office property were 1.7 per cent during September, a recovery from August. But at 4.8 per cent for the third quarter, the rate of growth has been edging down.

The most troubled sector has been retail where there is evidence that yields have continued to widen. During the year to September, rental values grew much more quickly than capital values — 14.5 per cent against 8.8 per cent. In September, the total return from retail property was 0.9 per cent, the same as in August. The total return in the third quarter was 3.1 per cent.

FINANCIAL TIMES

FT Property Surveys

The Financial Times proposes to publish these surveys during 1990

26 January	Property Review
9 February	Property Management
23 February	West End & Victoria Property
24 March	Property in Manchester
6 April	Industrial Property
20 April	Property in Leeds
11 May	Marina & Waterfront Developments
25 May	Property in London Docklands
15 June	Office Property
6 July	Property Investment & Finance
7 September	Leisure Property
21 September	City of London Property
5 October	Scottish Property
26 October	Retail Property
3 November	Business Parks
17 November	Property Research & nformation Systems

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or write to her at:
Financial Times, One Southwark Bridge, London SE1 9HL

INTERNATIONAL PROPERTY

LEGAL NOTICE

COMPANY NUMBER 2328... Registered in England & Wales
Parkgate Crane & Engineering Limited

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Cork Gully, 1 East Parade, Sheffield, S1 2ET, on 8 November 1989 at 11.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:
(a) they have delivered to me at the above address, no later than noon on 7 November 1989, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 27 October 1989
D J STOKES
Joint Administrative Receiver

CONTRACTS & TENDERS

JOSEPH ROWNTREE MEMORIAL TRUST

Tenders are shortly to be invited in connection with a nationwide supply of "white products" (1989 contract value: £2m).

Suppliers interested in submitting a tender should forward details of their organisation and distribution network to: Mr J C Dennis, Director of Housing and Property Services, Joseph Rowntree Memorial Trust, Beverley House, Shipton Road, YORK YO3 6RB.

PERSONAL

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
27	28	29	30	31	1	2

EXHIBITIONS

London

The Hayward Gallery. Andy Warhol – *two years after his* death, a comprehensive retrospective of the career of this seminal yet ambiguous and still controversial artist, since he turned to painting from graphic design in the early 1960s. Sponsored by BP. Until November 5.
The Royal Academy. The Art of Photography 1839-1989: in celebration of the 150th anniversary of the first practical demonstrations of the medium, this large and impressive exhibition leads the visitor through the practical developments and aesthetic variations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 23.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibi*tion ends*, aptly, *in Paris. The* 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends December 31.
Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200exhibits, among them the famous ruby-coloured glass, showhow – having freed themselves from Venetian influence – theglassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period that the renown of Bohemian crystal conquered countriesas far apart as Spain and America, Egypt and Ireland. 107, rue de Rivoli *(42603214), closed Tue, ends Jan* 28.
Photography. To mark the 150 years since the birth of photography the Centre Pompidou speaks of the invention of an Art, the Musée d'Orsay stresses its modernity (Quai Anatole France), Archives Nationales recount the genesis of this invention (60, rue des Francs-Bourgeois), Musée Carnavalet shows Paris daguerreotypes (31, rue des Francs-Bourgeois), while the Centre National de la Photographie uses chronology to teach its history (*Palais* de Tokyo, *16* ave Président Wilson).
Musée Rodin. A delightful 18th century townhouse – Hotel Biron – contains the life work of Auguste Rodin, whose powerful genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped in his cloak, defies time. 77, rue de Varenne. Closed Tue.
Galerie d'Art Saint Honore. Lucretia. Setting off the white androse-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th centuryin Luther's town a disturbingly beautiful Lucretia. There is a wistful yet sensuous expression on her face, a lighter-than-air white veil emphasizes her total nudity and a gold chain rises and falls with the contours of her breasts.267, rue saint honore (42601503). Closed Sat, Sun and lunchtimes. Ends December 15th

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by *the judicious selection of exhibits*, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal mother*hood. Ends November 19* (026-223978).

Brussels

Europalia Japan 89. Having celebrated the art and culture of Austria two years ago the Europalia turns to the east this year, bringing to Belgium the most *spectacular festival of Japanese* arts outside Japan. It opens this week with music and dance by the Imperial Gagaku orchestra and an exhibition of Japanese sculpture and painting at the Palais des Beaux-Arts. Art, music and theatrical events will be on show across Brussels over the next three months until the festival ends on December 17.
Bibliothèque Royale Albert 1er, 2 Boulevard de l'Empereur. 50 years of Architecture (1939-89). *Daily ends November 10.*
Palais des Beaux-Arts. The Human Figure: millennia of Japanese art – an overview of Japanese art from 3000 BC to the 19th century which opens Wednesday and ends Nov 26.
Musée Bellevue. Takakura costumes from the Imperial court. Closed Friday. Ends Nov 16.
Musées Royaux d'Art et d'Histoire. Namban Art. Japanese art works influenced by contact with Portuguese traders. Closed Monday. Ends Dec 17.
Musée Bellevue, 7 Place des Palais. Takakura: Japanese Imperial court dress. closed Friday, ends November 16.
Musée d'art Moderne Place Royale. Takeo Yamaguchi and Yoshishige Saito, abstract art in Japan. Closed Monday, ends December 17.

Antwerp

Museum of Modern Art (Muhka) 32 Leuvenstraat. New tools - New Images: art and technology in Japan today with installations by Tatsuo Miyajima, Tsuneo Nakai. Closed Monday, ends December 3.
Hessenhuis. 53 Falconrui. Japanese posters by 12 graphic designers. Closed Monday ends december 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the founda*tion*. 61 works by the New York realist covering a period of 55 years. Until Jan 4.
Palacio de Velazquez. Some 22 paintings and 20 drawings and engravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19. Closed Mon.

Barcelona

Fundacion Caja de Pensiones. International art. Exhibition of contemporary art from the museum's holdings acquired since1985, including works by Forg, Huber, Mucha, Deacon, Kiefer, Polke, Cucchi and Merz. Closed Mon.
Palacio de la Virreina. From Revolution to Perestroika.100 Soviet works from the Ludwig collection – the mostcomprehensive outside USSR. Paintings, drawings and sculptureof artists from two different periods: historic vanguard upto 1930 and contemporary art. Ends Nov 30.

Bonn

Beethovenhalle Bonn. 50 por*traits of Beethoven by the Ameri*can pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1.The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After a year of intensive study of Beethoven, be completed a series of coloured graphic works before he died last year. They are based on the *1821 original, by K.J. Stieler,* showing the composer aged 48.

Berlin

Bruecke Museum, Bussardsteig 9. A Franz Marc retrospective with 180 drawings and aquarelles (1880-1916) most of the German expressionist painter's works, can be seen for the first time until Oct. 29. His famous hand-coloured print of two horses, one blue coloured the other red-black, with a red, blue, yellow and green ground, was published *in a luxury edition of the almanac* Der blaue Reiter.

Frankfurt

Kunstverein, am Markt 44. A "Prospect photography" to celebrate the 150th anniversary of the invention of photography with 130 works from around 30 photographers and artists. Ends November 26

Bonn

Städtisches Kunstmuseum, Rathausgasse 7. Glanzlichter. 40 years of government support for art. This exhibition shows for the first time selected works of art from 11 centuries and attempts to present an impression of all aspects of culture during this period, with the help of government, foundations and private sponsorship. Works by Albrecht Dürer, Wolf Huber. Antoine Watteau, Heinrich Vogeler, Max Beckmann and Meissen porcelain are on display. Ends Nov 22.

Vienna

Secession. The highlight of the next few weeks will be the 100th anniversary of the birth of Ludwig Wittgenstein, the philosopher, architect and craftsman who until recently had not been appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and not to be missed.
The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.

Rome

Palazzo dei Conservatori, Campidoglio. Giuseppe Ceracchi (1751-1801), Jacobin sculptor. The exhibition includes a touching eye-witness sketch of Ceracchi and co-conspirators in a plot to assassinate Napoleon standing at the foot of the steps tothe guillotine. Ceracchi had refused a last-minute pardonoffered by the Emperor, feeling that Napoleon, of whom two remarkable portrait-busts are included in the exhibition, had betrayed the revolution. Also on show are portraits of Joshua Reynolds, whom he met in England in 1779, lent by the Royal Academy in London, of George Washington from the Metropolitan and three exquisite preparatory drawings for the Van der Capellen monument from The Hague. Until Nov 12.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period *than did the recent show at the* Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music *and cinema. The exhibition ends* with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Florence

Forte di Belvedere. African Art: The Roots of Modern Art. One *hunded and fifty sculptures,* mainly in wood, produced by 68 different tribes spread through central, western and southern Africa. The works, lent by 12 major museums and 21 private collections, date for the most part from the last two centuries, but with an introductory section containing works from the third century BC. Not difficult to understand the profound influence these precocious abstract works hadon such artists as Picasso and Brancusi and Braque. Ends Oct 29.

New York

Whitney Museum. *A special* exhibit from the museum's extensive holdings of Edward *Hopper highlight the realistic* painter's Paris and domestic scenes among the *150* pieces in *all media*. Ends Nov 5.
Metropolitan Museum. A decade of fabulous shows borrowed from around the world *culminates* in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Chicago

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. Of the millions of possible contributions, the exhibit focuses on 400 pieces by 200 photographers organised chronologically. Ends *November 16.*

Tokyo

National Museum. Art of the Muromachi Period (1334-1537). Major exhibition featuring some 400 works from the period when the shoguns had consolidated *their power, bringing* a period of relative peace and prosperity with a resultant flowering of the arts, much of it influenced by Zen Buddhism, such as ink painting, garden design and the tea ceremony. Closed Mondays.
National Museum of Modern Art. A Perspective on Contemporary Art: Colour and/or Monochrome. Paintings, prints and sculpture by 21 younger artists from Japan and elsewhere, selected to illustrate the use or *absence of colour. Closed Mon*days.

MUSIC

London

Pittsburgh Symphony Orchestra, conducted by Lorin Maazel. Mahler. Royal Festival Hall. (Fri) (928 3002).
Amsterdam Baroque Orchestra, *conducted by Ton Koopman,* with Barbara Schlick, (soprano), Carolyn Watkinson (contralto). Mozart. Queen Elizabeth Hall (Fri) (928 3002).
BBC Symphony Orchestra, conducted by Peter Eötvös, with Zoltan Kocsis (piano). With the BBC Singers, and the BBC Sym*phony Chorus*. Mussorgsky, Bartók, Murail. Royal Festival Hall (Sat) (928 3002).
Royal Philharmonic Orchestra, conducted by Vladimir Ashkenazy. Mozart, Tchaikovsky. Royal Festival Hall (Tues) (928 3002).
London Symphony Orchestra, conducted by Sir Colin Davis, *Magyarok*: Berlioz, Damnation of Faust. (in French). Barbican Hall (Wed) (638 8891).

Paris

Czech Philharmonic conducted by Vaclav Neumann. Mahler. (Mon) Theatre des Champs Elysees (47203637).
Radio France Grand Auditorium (42302222). Elizabeth Sombart, (piano). Satie, Ravel, Brahms, Chopin (Thur) Theatre des Champs Elysees (47203637).
Ensemble Intercontemporain, Boulez, Bartok, Stravinsky (Thur) Centre Pompidou *(42744219).*

Brussels

Ikuyo Nakamichi (piano), and Mayumi Seiler (violin), Miyagi, Miyoshi and Mozart. Centre Culturel le Botanique (Fri, Sat).
BRT Philharmonic Orchestra, conducted by Michiyoshi Inoue with Patrick Crommelynck and Taeko Kuwato (piano). Debussy, Miyoshi, Stravinsky, Takemitsu (Sun) Palais des Beaux-Arts.

Frankfurt

Czech Philharmonic with Vaclav Hudecek (violin),conducted by Juri Belohlavek. Smetana, Tchaikovsky and Mussorgsky. (Tues) Alte Oper.

Rome

Santa Cecilia Orchestra, conducted by Giuseppe Sinopoli. Mahler (Sun, Mon, Tues) Auditorium in Via Della Conciliazione (6541044).
Homero Francesch, piano recital. Bartok, Schubert, Albeniz and Liszt (Wed) (393304).

Milan

Quartetto Arditti. Beethoven, Webern. Sofia Gubaidulina, Luigi Nono and Alban Berg (Mon) Teatro alla Scala. (80.91.26).

Vienna

Wiener Mozart Orchester in historical costume. Conducted by Konrad Neitner. Mozart. Konzerthaus (Fri).
Hagen Quartett. Mozart, Ligeti, Beethoven. Konzerthaus (Mon).
Vermeer Quartett. Haydn, Bartók, Schumann. Konzerthaus. (Wed).
Wiener Hofburgorchester, conducted by Gert Hofbauer. Miscellaneous waltzes and operettas. Konzerthaus. (Thurs).

Barcelona

Trio de Barcelona. Beethoven, Mendelssohn, Dvorak (Fri) Centro cultural fundacion caja de pensiones (317 57 57).

New York

Frankfurt Radio Symphony Orchestra conducted by Eliahu Inbal with Mitsuko Shirai (mezzo-soprano). Haydn, Ravel, Tchaikovsky (Mon) (247 7800) Carnegie Hall.
New York Philharmonic. Leonard Bernstein conducting. Mahler, Tchaikovsky. (Tue) Avery Fisher Hall (874 2424).

Washington

National Symphony Orchestra conducted Hiroyuki Iwaki with Leonidas Kavakos (violin). Toshi Ichiyanagi, Dvorak, R. Strauss. Kennedy Center Kennedy Center Concert Hall (Tue) (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Gunter Wand. Bruckner. (Tue) Orchestra Hall.
Chicago Symphony Orchestra conducted by Sir Georg Solti with John Sharp (cello). Shostakovich, Verdi (Thur). Orchestra Hall (435 6666).

THEATRE

London

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent *is a means of escape and a rea*son for not going back. Janet Suzman and Sara Kestelman are in support (867 1116).
Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).
M. Butterfly (Shaftesbury). *Peter* Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically *feline* (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Chicago

The Misanthrope (Goodman). The first production of the season exchanges Molière's France for contemporary Hollywood in a new adaptation by Neil Bartlett, directed by Robert Falls with David Darlow playing Alceste. Ends Nov 4 (443 3800).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Performances at Kabuki-za (541 3131) are at 11am and 4.30pm. *The star of the evening show is the prodigious Ennosuke* Ichikawa, fresh from a successful season in New York in a triple-bill designed to display his multifarious talent. (ends Oct 25). At the National Theatre (265 7411) performances on most days are at 1pm, and among the performers is Living National treasure Utaemon Nakamura, one of the great exponents of the art of the Onnagata (ends Oct 26). Both theatres have useful English programmes and earphone commentary.

ARTS

Ma Rainey's Black Bottom

COTTESLOE THEATRE

Carol Woods-Coleman

August Wilson's verbal blues, a wail for lost identity, was successfully produced on Broadway in 1984. Since then he has written the Pulitzer prizewinner *Fences*, but I suspect *Ma Rainey* has more pain and anger in it.

It is Chicago in 1927. Bob Crowley's design diagonally bisects the central acting area of the Cottesloe. Two steps separate equally functional rooms, each with a piano and sticks of furniture. The higher triangular space in addition has recording microphones, the lower area token signs of comfort. The one is a studio, the other dignified by the name of band room.

The four black musicians we meet range in age from grizzled bass-player Slow Drag to sharp-suited young Levee. In between, the sober and responsible Cutler keeps order and Toledo comments with wry detachment. The latter is articulate and sufficiently educated to talk, however clumsily, of a lost African heritage and black man's eagerness for white approval. Levee is cocky, flashy and ambitious. The musicians quarrel, have bets, squabble over reefers and smoke. Two white men worry, fret and carp: agent and recording manager are waiting for the star.

Ma Rainey appears after 45 minutes, sweeping down the steps from gallery level in a froth of indignation and a full-length fur, an entourage of pretty girl, burly young man and angry cop in tow.

It is quite an entrance. Nothing becomes Carol Woods-Coleman so much in this play as her entering it; the subsequent performance is slightly more mundane. Not being a jazz historian, I am uncertain how much of the play is factual; but the truth of a situation where exploitation is taken for granted seems clear, the greatest corruption of all being the exploitation that the exploited practise on one another.

The pushy Levee, with songwriting aspirations and plans for his own band, reveals a bitter history of racial victimisation. The bumptious young man on the make is biding his time, but even his few illusions about the white man are shattered. The tragedy of frustration, inarticulateness and entrapment erupts in violence.

The writing is naturalistic, the characters vividly differentiated. Howard Davies' production evokes much more convincing acting than his over-rated *Cat on a Hot Tin Roof*. George Harris' stolid, conventional Cutler is one of the best things he has done. Hugh Quarshie has less of the clown referred to in the original script (available in sloppily proofed Penguin) but makes Levee more of a tragic hero. As yet the account of his family's wrongs at the hands of whites is a set piece with method (perhaps Method) rather than feeling to it.

Best of all is Clarke Peters' relaxed, intelligent but not too coherent Toledo, fumbling towards black awareness, but not romanticised or glib.

Jacqueline de Peza is suitably dazzling as the girl who turns out to be Ma's property. And Lennie James gives a beautifully judged performance as the stuttering nephew with every member of the audience rooting for him as he tries to record the introduction to the title number.

The whites are less cogent, William Hoyland in particular self-conscious and veering towards the Antipodes in accent. And the dinky chain for old Slow Drag's spectacles looks not a day earlier than 1970.

Martin Hoyle

Magnificent Magyaros

Susan Moore reviews 'A Golden Age' of Hungarian art

Portrait of Henrika Szemere, 1895, by Bertalan Karlovsky

In France, the new art conceived to herald a new century became known simply as Art Nouveau. To the Germans, it was *Jugendstil*; to the Austrians, *Sezessionstil*; the Belgians called it Style 1900; the Italians, *Stile Liberty*. In Hungary, it was, significantly, *Magyaros*, a specifically Hungarian style.

The search for a national identity lay at the heart of the development of the visual arts in Hungary at the turn of the century. In 1867, the Austro-Hungarian Compromise had given some autonomy to the Hungarians. Thirty years later, a fervid nationalism engulfed the millenium celebrations commemorating the arrival of the Magyar people in the Carpathian basin 1,000 years before. The interim years of growing prosperity had left the Hungarian state poised on the edge of the modern world. Architects, artists and designers faced not so much a dilemma of style as how to express a national consciousness.

The work they produced is at once derivative and strikingly idiosyncratic. There is only the rarest whiff of *fin-de-siecle* decadence; its character is more akin to the Utopian idealism of Ruskin, William Morris and the British Arts and Crafts movement. What distinguishes *magyaros* from its counterparts is a conscious adaptation of provincial folk art and folklore (interest in folk literature and music were earlier revivals). Hungarian Art Nouveau is also remarkable for being virtually unknown outside Hungary.

In 1986, the Hungarian National Gallery in Budapest organised an exhibition devoted to the period, and that show has now been recreated for British and American audiences. *"A Golden Age - Art and Society in Hungary 1896-1914"* is launched in London as part of the Barbican's Magyarok Festival.

It is a mammoth exhibition, covering history, architecture and fine art, and touching on poster art and stained glass (which is excellent), ceramics and glass, furniture and tapestries, costume and jewellery, and bookbinding. The architectural drawings and photographs of Odön Lechner's extraordinary public buildings alone are enough to make one want to catch the next flight to Budapest. His means of creating an appropriate national style of architecture was a synthesis of forms derived from folk embroidery and from the Orient – the latter symbolising the Eastern origin of the Magyars.

Throughout the period, it seems that architects, artists and designers had one foot in the hallowed misty past and the other firmly set in Modernism. In the fine arts, in particular, there is little sense of a preferred approach or subject matter. The cause is probably due to the fact that there was no art academy in Hungary; its leading artists studied and lived abroad, principly in Munich or Paris. Even after the founding of artists' colonies and exhibition societies on fertile home soil, the Hungarian artistic community seems to have largely comprised individualists.

Paintings are as uneven as they are varied. A number of figures do emerge head and shoulders above the crowd: I particularly enjoyed the deft line of Jósef Rippl-Rónan (1891-1927), a francophile and associate of the Nabis. Rippl-Rónan, like a distinguished list of artist/designers elsewhere, attempted to bridge the abyss between the fine and the applied arts, designing an acclaimed "integrated" interior (now largely destroyed) in the dining room in the Andrássy Palace.

It is interesting to note that there were weaving workshops, a school of sculpture, and studios for the production of leatherwork, stained glass and furniture at the artists' colony established in 1902 at Cödöllö in Transylvania. The common belief of artists and craftsmen was that a native "school" could only emerge out of a communion with the Hungarian countryside, its people and its traditions.

To infer that the mass of material exhibited here is what we would consider as Art Nouveau, as publicity materials suggests, is misleading. Sources as diverse as Bastien-Lepage, Post Impressionism, Symbolism, the Pre-Raphaelites and Walter Crane (who was invited to exhibit in Hungary in 1902), Ruskin and Tolstoy, have all left their mark on Hungarian art. What the Hungarians took, however, they made their own. The achievements of Gustav Klimt, Jósef Hoffmann, Kolomon Moser and the Wiener Werkstätte are justly admired. This exhibition offers a welcome opportunity to appraise the cultural flowering that took place at the turn of the century in the other part of the sprawling Austro-Hungarian Empire.

The exhibition continues at the Barbican until January 15. It will be at at the Center for the Fine Arts, Miami, between March 16 and May 27, and at the San Diego Museum of Art from November 10 until January 5, 1991.

Ishiguro wins Booker Prize

THE 21st Booker Prize for Fiction (£20,000) has been won by Kazuo Ishiguro (*above*) for the novel *The Remains of the Day* (Faber,£10.99), it was announced at the Guildhall,London,last night by David Lodge, the chairman of the judges.

The award represents a triumph for the Japanese-born author who writes in a marmoreal English prose, identifying in this book with the thought-processes of a butler in a great country house, a man born and bred to the tradition of service.

Although confined to the consciousness of a man of limited outlook, the story encompasses some large themes, both personal and national. It deals, on the one hand, with blind obedience and blindness to love, and on the other with the uneasy peace of the 1930s and the champions in England of appeasement to Hitler.

The fact that this era is viewed with hindsight and at one remove from the principals makes it no less vivid.

The judge's verdict overturns that of FT readers on Saturday. In our competition poll it came second to the Canadian novelist Margaret Atwood's *Cat's Eye*. It seems that the decision was not an easy one. The final meeting of the judge's lasted well into the time for dressing for the presentation dinner.

Anthony Curtis

Summer Breeze

THE GATE, NOTTING HILL

Arthur Schnitzler's final play, making its first appearance in English translation, shows an old man's vacillation between psychological insight and wishful thinking. This sub-Chekhovian essay on love and faith – sacred and secular – has its moments. It reaches a peak in the playing, by Glynis Barber and Steven Mann of a delicate central love scene between a doubt-racked curate and the beautiful, but lonely, wife of a successful sculptor.

But the foundations for the scene are built on shifting sand – the spur for his black knight is nothing more momentous than the news that his soldier brother has committed himself to a duel, while her deeper loneliness is almost casually dismissed by the quite unexpected return of her husband.

The play is set in the country house of Professor Friedlein and his family who play at love for want of anything better to do. His neice Gusti, an aspiring actress, toys with affections of every man who approaches her – from her sulky young cousin (Marc Warren) to an earnest doctor (John McAndrew).

The casualness with which she disposes of their attentions is reflected in a plot which has more than its share of loose ends – as if Schnitzler could not quite bring himself finally to tie them together.

Thus a letter which might have exposed Prof Friedlein's philandery is left unopened on the table, while a muddled time sequence allows the enraged young doctor to accuse Gusti of a deception that she did not commit – namely withholding news of her first theatre contract from him when the news (another letter) only arrived after he had left.

Michael Robinson's translation does not attempt to paper over the flaws, but neither does Tal Rubins' production provide a psychological justification.

The result is some characters who hover on the brink of credibility – notably Barber's beautifully restrained Josefa – and some like, Myriam Cyr's Gusti, who plunge bodily and facially over it.

Claire Armitstead

The Haydn Series

QUEEN ELIZABETH HALL

The Haydn concerts by the Orchestra and Choir of the Age of Enlightenment – one per week until early December – are proving one of the triumphs of the season. Haydn's late music, and specifically the late choral works which provide the series with its focus, are a treasure store generally, and (with obvious exceptions) too little valued and exploited; I cannot remember a previous London series of the kind, which makes this one that much more welcome and timely. Haydn's music has the power to light up people's lives: one is a happier and a wiser person for hearing it.

Wednesday's programme, conducted by Gustav Kuhn, had as its choral mainstay the *Theresienmesse* (1799) – less marked by dramatic urgency than the "Nelson" from the previous year, but even more radiant in its lyrical beneficence. (How gloriously typical of Haydn that, in a predominantly B-flat work, the spiritual centre should be felt to be the G-major Benedictus, whose gentle pastoral lilt exudes an air of heavenly contentment.)

Kuhn, best known in this country as a Glyndebourne conductor of Mozart and Strauss, is a relaxed, knowledgeable, and civilised Haydn conductor. He avoided paying any special attention to the astringent, brightly reedy, or softly wooing sound-characteristics of the "period" orchestra, and concentrated instead on keeping the music flowing steadily and evenly.

It was not an exciting performance of the Mass but it was excellently well-played and sung, graced by an outstandingly fresh and musicianly quartet of solo singers (Lynne Dawson, Elizabeth McCormack, Neil Mackie, Michael George); the numbers of the instrumentalists and singers and the smooth, flowing lines they produced made for a very special kind of Haydn intimacy.

Earlier, there was an account in similar vein, not enthralling but full of wise and enjoyable insights, of the C major Symphony, No.97 (it was puzzling, though, that the orchestra should not have been seated in correct "period" fashion, with violins opposite each other: this does make a difference to blend and balance). The single miscalculation of the evening – one hopes it will be the only such of the series – was to invite the admirable Crispian Steele-Perkins to attempt the Trumpet Concerto on a contemporary instrument which gave the impression of being all but unplayable.

Max Loppert

New Choreography

RIVERSIDE STUDIOS

The quest for choreographers, the encouragement of new talent, must ever be a fundamental activity of a national ballet company. The Royal Ballet's Choreographic Group has for many years, under Leslie Edward's guidance, fostered apprentice dance-makers whose work has become part of the company repertory. Now Norman Morrice has taken over, and is also charged with the choreographic activities at the Royal Ballet School. This last seems to me of prime importance in identifying and encouraging students with creative aspirations, and allowing them to learn some first rules of their craft.

On Tuesday night, as part of Dance Umbrella, Mr Morrice introduced an evening of work from both Royal troupes and from the School, revealing not just the aspirant talents but the evident sympathy and understanding he brings to his task. There can be no doubt about the opportunities, with four prizes annually available for making dances.

It is ironic that Matthew Hart's *Treble Bach* was an exercise set to encourage the use of pure academic classic movement, for it is in these disciplines and formal laws that his gift was clearly revealed. The Chaconne for solo violin, four girls and a boy in practice dress, meant that the shadow of Balanchine was cast over the piece, but something of Balanchinian ingenuity in setting patterns, in moving bodies, was there, too, as well as a freshness in flexing creative muscles.

From the Royal Ballet's Simon Rice there also came a noteworthy sketch. Its title, *Manic*, tells all. As the whizzing glissandi and Brock's benefit of notes poured out from one of Conlon Nancarrow's pianola studies, Mr Rice, Fiona Brockway and Luke Heydon were caught up in an outburst of twitches, scratchings, putting-out of tongues and neurotic fidgets which would justify the strait-jackets they also mimed. This was choreography alert, mad, funny, tightly within the score, and individual enough for us to want to see more of Mr Rice's way with steps and gesture.

Clement Crisp

Mystere de L'instant

TONHALLE, ZURICH

A new work from Henri Dutilleux is always something to look forward to: he seems to be able to express more in his slender output than most contemporary composers say in much more voluble form. This is certainly true of *Mystere de L'instant*, a 15-minute work commissioned by Paul Sacher and first performed at the latest of Sacher's concerts with the Collegium Musicum Zurich.

The music is scored for 24 strings, cymbalom and light percussion, and is divided into 10 short "sequences," each with a character entirely of its own, but continuing without a break. It marks a change, therefore, from the more unified thought of other recent works, such as *L'arbre des Songes*.

Yet it is unmistakably from the same hand and inspiration – concise, fastidious and accessible. There is not a spare nor wasted note. Each sequence takes the form of a fleeting glimpse, created and savoured for a moment before giving way to the next. Dutilleux provides individual titles as a guide. In "Litanies," snatches of distant sound evoke the atmosphere of a cathedral or haunted palace. "Rumeurs" is a subtle, dreamy collection of half-voices. "Chorale" attempts a melody on unison strings, while "Sollioques" is threaded seamlessly between solo instruments. "Metamorphoses" makes witty musical play of the name Sacher before a flamboyant little coda. Throughout the work, Dutilleux seems to throw up tunes with casual profligacy.

The lush harmony and strong bass line suggest a debt to the Romantic string serenade tradition. There is also an element of Gallic sensuousness, and of exquisite refinement after Ravel. The most curious element is Dutilleux's use of the cymbalom as punctuation and commentary: the effect is exotic and full of contrast, but its limited role leaves one wanting more. *Mystere de L'instant* lives up to its title, without quite managing to camouflage the civilised mind of its creator.

Sacher, now 83, still conducts with remarkable sprightliness and agility, and this concert showed what a remarkable feat he has achieved in building audiences for new music. If only all his commissions were equally fruitful . . . After conducting the Dutilleux and three movements from Mozart's Serenade No 9 in D, he vacated the podium in favour of Patricia Junger, whose *Heller Schein* for mezzo soprano, bass clarinet, strings and percussion managed to expend much self-conscious energy saying very little.

Andrew Clark

ARTS GUIDE October 27-November 2

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest revival of the 1975 *Peter Grimes* brings a promising cast of newcomers – Philip Langridge in the title role, Felicity Lott, Donald McIntyre, Sarah Walker and Stuart Kale – and Roger Norrington as conductor. *Die Walküre*, in the production by Götz Friedrich adapted from his Berlin staging, is distinguished above all by Bernard Haitink's magnificent conducting, and the vocally unsurpassable Wotan of James Morris.

Paris

Théâtre de la Ville. Trisha Brown Dance Company presents, as part of the Paris Autumn Festival *Son of Gone Fishin', Newark, Glacial Decoy* and *Astral Convertible* (42742277).

Theatre de la Bastille. Daniel Larrieu in the framework of the *Festival D'Automne*. (43569894)

Opéra. Jiri Kylian opens the Paris Opéra season with *Tanz-Schul* to Maurizio Kagel's music and *Sinfonietta* to Janacek's music accompanied by the Paris Opéra Orchestra conducted by Arturo Tamayo (47426371).

Brussels

Théâtre Royal de la Monnaie. *The Flank in the Fall of Icarus - Disaster/Utopia* directed by Frederic Flamand, a multi-media production by Fabrizio Plessi with music composed and performed by Michael Nyman. Sat, Sun.

Amsterdam

The Netherlands Opera with *Ariane et Barbe-Bleu*, by Paul Dukas, directed by Philippe Sireuil, with the Netherlands Philharmonic conducted by Henry Lewis. Kathryn Harries and Roger Soyer in the title roles (Fri, Mon, Thur). The National Ballet with a Frederick Ashton programme of *Midsummer Night's Dream* and *Symphonic Variations* (Sat, Sun matinee, Tue, Wed). Muziektheater. (255 455).

Vienna

Volksoper. Programme includes: Franz Lehar's *Das Land des Lächelns*, Emmerich Kalman's *Die Zirkusprinzessin*, the premiere of *Fanny Elssler: Frau und Mythos*, a ballet by Susanne Kirnbauer, music by Withold Silewicz. Emmerich Kalman's *Die Csardasfürstin*, Johann Strauss's *Wiener Blut*, and Heuberger's *Der Opernball*.

Berlin

Opera. *Arabella* expertly conducted by Guseppe Sinopoli was well received, when it opened last week with Lucia Popp in the title role, Angela Maria Blasi, Bernd Weikl, Peter Seiffert and David Griffith. *Zar und Zimmermann* is a well done repertoire performance. *La Bohème* in Götz Friedrich's production has Eva Johansson making her debut as Mimi, and Andreas Schmidt, Gwendolyn Bradley, Rald Lukas in other parts.

Bonn

Opera. Last season's successful Marco Arturo Marelli's *Madame Butterfly* production returns with Keiko Kanegawa, Chieko Shirasaka, Lando Bartolini and Ludwig Baumann.

Frankfurt

Opera. *Behind the China Dogs* has choreography by William Forsythe and Amanda Miller. Forsythe's ballet *Isabelle's Dance* is revived. *La Finta Giardiniera*, the first new production this season, by the Canadian producer Robert Carsen will be conducted by Frankfurt's director Gary Bertini. The cast includes Werner Hollweg, Pia-Marie Nilsson, Douglas Johnson, Margaret Marshall, Alicia Nafe and Sonia Theodoridou. Also offered *Un Ballo in Maschera*.

Cologne

Opera. The first co-operation between the Düsseldorf Opera and Cologne Opera will be the new Wagner cycle produced by Kurt Horres. The premiere of *Das Rheingold*, conducted by Hans Wallat has a strong cast led by Hanna Schwarz, Anne Gjevang, Beatrice Niehoff, John del Carlo, Matthias Hoelle, Martin Finke and Eiter Schweikart. *Die verkaufte Braut* rounds off the week.

Madrid

Ballet del Teatro Lirico Nacional in the two act ballet *La Fille mal Gardée*, choreographed by artistic director Maya Plisetskaya, with Juan de Udaeta conducting the Madrid Symphonic Orchestra. Ends Oct 31. Teatro Lirico Nacional la Zarzuela (429 82 25).

Barcelona

Gran Teatro del Liceo. National Ballet of Cuba performing *Giselle* (Act 2), *La Diva* (Maria Callas in memoriam), *Don Quijote*, *Swan Lake* (Act 2) and *Dionaea*. Artistic director is Alicia Alonso. Until Oct 22 (318 91 22).

Rome

Teatro dell'Opera. Alvin Ailey's American Dance Theater.(8 46.17.55).

Milan

Teatro Alla Scala. The Bolshoi State Opera on tour with Prokofiev's *Duenna*, and Mussorgsky's *Boris Godunov* (80.91.26).

New York

Joffrey Ballet. A new Gerald Arpino ballet opens the three-week New York season, which also includes the premiere of a new staging of Nijinsky's *Les Noces* and revivals of Ashton's *Illuminations* and *A Wedding Bouquet* in the company's extensive repertory. Ends Nov 19. City Centre (581 7907).

Chicago

Lyric Opera. Placido Domingo sings Samson and Agnes Baltsa sings Dalila in Nicholas Joel's production of Saint-Saens's opera conducted by Bruno Bartoletti. Jiri Kout conducts *Der Rosenkavalier* with Anna Tomowa-Sintow, Kathleen Battle and Julian Patrick. (332 2244)

Washington

Washington Opera. *Lucia di Lammermoor* with Ruth Ann Swenson in the title role and Jerry Hadley as Edgardo in Roman Terleckyi's production opens the season that will also include the company's first production of *Aida* as well as *Die Fledermaus*, *The Merry Wives of Windsor* and *The Aspern Papers*.

Tokyo

Vienna State Opera. *Viaggio in Reims* by Rossini, conducted by Claudio Abbado, with Cecilia Gasdia, Lucia Valentini-Terrani, Ruggero Raimondi (Tues, Thur) Tokyo Bunka Kaikan (725 8888). Carmen. The spectacular arena production from London plays at the National Sports Stadium. (Ends Thurs) (5990 9999)

SALEROOM

Ceramics in demand

Many of the leading 20th century artists also turned their creative skills to ceramics and the salerooms have realised there is a fruitful market in this area. Yesterday Sotheby's sold ceramics and glass, and an earthenware plaque by Miro sold for a record £143,000 to a Portuguese buyer, as against a top estimate of £50,000.

Working with his friend Joseph Artigas, this design, very similar to his painting, was fired in 1954. Two plates by Picasso, one, Colombe, signed 1954 and hand-painted, the other, Visage, in white, and unique, sold for £38,600 and £22,000 respectively, nicely above estimate.

The current strength of the art market is summed up by the demand, mainly from new money, for post-war and contemporary art. In the past, these always proved difficult sales, and although London still cannot match New York for exorbitant, million-dollar prices paid for contemporary works, Sotheby's yesterday did very well with a total of almost £3.4m, and less than 7 per cent unsold.

As usual, London acted as an entrepot for continental European buyers acquiring continental paintings. Top price, and an artist record, was the £143,000 paid for "Standart", a 1970 composition depicting blue and red matchstick men over monster faces, by the German artist A.R.Penck. "Concerto Spaziale", a typical red canvas by Fontana with a cut down the middle, sold for £126,500.

Among the prints at Sotheby's, Quarritch paid £74,800 for 42 plates by Edward Lear from his series on parrots. "The Little Passion", by Durer, 27 woodcuts from the set, quadrupled the estimate at £123,100.

A late Corot painting "Les petits denicheurs", showing a young girl receiving a bird's nest from a boy, sold for £359,662 at Christie's, New York, on Wednesday, more than double its estimate, in an auction of 19th century European art which totalled $10m (£6,245,000), with 23 per cent unsold. A nude by the Swedish artist Anders Zorn, entitled "Fran Sandhamn", depicting a girl dipping her toe in the sea, did well at £673,750 and "Bucheron preparant des fagots", a pastel by the French artist Millet also went far over estimate at £546,875. Orientalist pictures seem back in fashion, and a view of Cairo by Gerome sold for £343,750.

Christie's early English and continental European furniture totalled only £236,733.

Antony Thorncroft

FINANCIAL TIMES
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Friday October 27 1989

Resignation of Mr Lawson

WITH HIS resignation yesterday, Mr Lawson put an end at last to what had long been an impossible situation, both for him personally and for the Government as well. It is more than likely that the behaviour of the Prime Minister which drove him from office may be seen in hindsight as the beginning of the end for her, too.

Mr Lawson has found his policies balked at a number of decisive moments since March 1988, when he was forced to abandon the attempt to keep sterling below DM 3. Moreover, the views of Sir Alan Walters have come to the surface on several occasions, casting doubt on essential planks of Mr Lawson's policies. By her unwillingness to refute those criticisms, the Prime Minister has indicated that she supports them and, by her faint and ambiguous praise of Mr Lawson, has gone on to wound him still further.

The central issue is the relationship between Mrs Thatcher and senior members of her Government. It far surpasses in importance the technical issues associated with exchange rate policy. While the Prime Minister's acolytes have shot their unguided missiles in all directions, the Government could hardly hope to retain coherence. Mr Major has experienced what Mrs Thatcher herself can do just last weekend. *Life in his new role is* unlikely to be comfortable.

Soldiered on

Throughout the period of conflict over exchange rate policy, a conflict – it should be noted – that brought Sir Geoffrey Howe down before Mr Lawson, the puzzle has been Mr Lawson's willingness to stand it. If there is a criticism it is not that he has gone now, but that he did not go before. He has soldiered on loyally, instead, but grievously wounded by the Prime Minister's lack of convincing support for his policies.

The continuing conflict has created the worst possible environment for policy-making. Decision-makers, particularly those engaged in financial markets, have been both bemused and confused by the turmoil in the Government. When a Government that had painfully gained the priceless treasure of credibility is reduced to advising people to look at "actions not words", its effectiveness has been seriously damaged. The damage can be seen even now in interest rates that are probably higher than would otherwise have been necessary.

Mr Lawson, for his part, has every right to look back with some pleasure on achievements, not merely as Chancellor of the Exchequer since 1983, but as Financial Secretary before that. Perhaps more than in macroeconomic policy, his most valuable legacy will come to be seen in his contribution to the freeing of market forces in the UK, particularly in the abolition of exchange controls – one of the most important decisions of the present Government – and in tax reform.

Consumer spending

Disillusioned by the simple monetarism of the early years of the Thatcher administration, thwarted by the Prime Minister in his desire to commit the UK to the exchange rate mechanism of the European Monetary System and baffled (like virtually all his critics) by the buoyancy of consumer spending in recent years, Mr Lawson found the macroeconomic management of the UK increasingly troublesome in his last year or two in office.

The questions that remain concern not him, but the Government. For all the bitterness that must inevitably be associated with the shabby circumstances surrounding his departure, he must have the satisfaction of a job on the whole well done. Mrs Thatcher can have no such consolation.

Sir Geoffrey Howe and Mr Lawson have both been deeply committed to the revolutionary changes associated with her name and made huge contributions to them. She has discarded the first and now lost the second. From being a Government committed to a set of coherent, radical and timely ideas, it has now become a Government committed to the Prime Minister herself. Yesterday she lost far more than a distinguished member of her Government. As she has become more preeminent, her Government has become much more vulnerable.

Going home to Vietnam

ONE PROBLEM Mr John Major will be more than happy to leave to his successor as Foreign Secretary will be that of the Vietnamese boat people in Hong Kong. On Wednesday he "did not make a statement" on the subject: "he was only answering a question." Indeed, "he said nothing new." Thus did his officials yesterday seek to play down the significance of Mr Major's remarks about the "involuntary repatriation" of Vietnamese boat people from Hong Kong. One cannot blame them. Neither they nor he can derive any pleasure from what he had to say. "Involuntary" means compulsory. Compulsory means forced. Forced means the use or threat of force (gunpoint? starvation? physical manhandling?) to move people who do not want to move. One cannot be sure that all will go quietly: some have already threatened suicide. "Involuntary repatriation" is all too likely to provide a spectacle which will be very hard for the British public to accept, and which will do no good at all to Britain's reputation abroad, particularly in the US.

Have alternative options been sufficiently explored? Is it not grotesque thus to turn away able-bodied people, eager to earn their living in the West, at a time when almost all western countries face a labour shortage? Could not Britain *alone easily absorb* these 57,000 people?

Britain's pledges

It could, and there is indeed a strong economic case for a more relaxed approach to immigration. If the problem of the boat people were limited to those 57,000 it could and should be solved very quickly; and there can in any case be no justification for the scandalously slow rate at which Britain is currently fulfilling its pledges to take much smaller numbers of bona fide refugees. But it is simply not realistic to imagine that western countries will be willing to absorb an indefinite number of boat people, and the trouble with the boat people is that more and more of them keep coming.

Even keeping them in Hong Kong, in increasingly squalid conditions, has neither deterred new arrivals nor "persuaded" more than a handful to go home "voluntarily;" and it is anyway "not reasonable for them to expect to stay in Hong Kong for ever." *On that* point at least everyone will surely agree with Mr Major.

Everyone in principle supports repatriation. Everyone would much prefer it to be voluntary. Everyone shrinks from the thought of doing it by force. But only the British government has the responsibility for deciding what to do with the great majority of boat people who are clearly not going to volunteer.

Bona fide refugees

The modalities of forced repatriation have therefore to be considered. The first requirement must be that bona fide refugees – those with a "well-founded fear of persecution," according to the standard UN definition – be exempted. For that purpose a screening process is already in operation in Hong Kong which *seems to be generally* accepted as objective. The next point is that Vietnam agree to take the migrants back and not to penalise them. It has so agreed, and in the case of voluntary returners the UN High Commissioner for Refugees has been monitoring the implementation of that agreement. The UNHCR has not so far agreed to do the same in cases of forced repatriation, since it regards that procedure as in itself a breach of its principles. If it persists in that attitude a bilateral procedure may have to be agreed between Britain and Vietnam.

But the key issue remains the creation in Vietnam of economic conditions which give people some hope, whether they are actual or only potential boat people. That requires changes in Vietnamese policy, some of which are already under way. It also requires that Vietnam receive help from the international community, and from Britain in particular. Of Britain's two conditions for *an aid programme to Vietnam* one – Vietnamese withdrawal from Cambodia – is now fulfilled. The other is, precisely, a solution to the problem of the boat people. To maintain that as a *precondition* would surely be self-defeating.

David Housego reports on the controversies surrounding the forthcoming Indian elections

The uncertain road ahead

India's general election falls at a time when a great many Indians are unhappy at the road down which their country is heading. The paradox is that higher rates of economic growth – the chief legacy of Prime Minister Rajiv Gandhi's first term of office – have been accompanied by a rise in corruption and violence and the erosion of important democratic institutions. This has created a sense of bewilderment and disorientation.

In a review of the past 30 years in India, a recent editorial in a special issue of the monthly magazine Seminar summed up the mood. "Tempestuous times have overwhelmed us," it said. "There seems to be great confusion in determining what is right and wrong . . . It is bewildering to see a breakdown of ethics, values, attitudes and, therefore, all norms. Institutions that once upheld those values and beliefs are today being assaulted without any thought and there are no alternatives in sight," the editorial said.

This may sound like the self-indulgent philosophising of comfortable middle-class intellectuals, but the apprehension extends well beyond them. The name of Bofors, the Swedish arms group which paid illicit commissions to win a $1.3bn arms contract, has entered into daily Hindi vocabulary as meaning "rotten," "broken," "dirty." The Bofors disclosures have established that Indians at the highest level of government benefited from the commissions and that the *civil service*, the police, the judiciary and Parliament were sucked into the subsequent cover-up.

The result has been to bring into disrepute the institutions on which India's democracy is founded. The apparent success of the Bofors beneficiaries in getting away with their gains is also seen as making a mockery of any official – senior civil servant or village functionary – who tries to hold out against corruption, and as encouraging those without such scruples to take larger bribes. A second disorientating factor in a society whose goals were once puritan, Gandhian (in the sense of Mahatma Gandhi) and socialist, is that Prime Minister Rajiv Gandhi's regime is seen to have given legitimacy to qualities previously despised – acquisitiveness, ostentation, and affluence achieved through "black money."

The "heroes" of today are not the politicians or bureaucrats who lived by ideals of service to the nation. Rather they are the yuppies of Mr Gandhi's generation whose flashy life-styles fill the dreamworld of countless popular films, television commercials and magazine articles.

'Tempestuous times have overwhelmed us . . . There is great confusion in determining what is right and wrong'

Along with the greater influence of money on politics has come the growing *influence of crime. The under*world and mafia gangs have spread their net wide from trades unions to municipal corporations, village councils and political parties.

The most notorious example of this is Bihar in north east India where 40 of the legislators in the state assembly face murder charges against them. But during recent municipal elections, a third of the seats in the *municipality of Kanpur, a large* industrial town south east of Delhi, were won by candidates implicated in charges of murder, violent crime and smuggling.

A further discordant note is the mounting drumbeat of violence across the country reflecting the increasing aggressiveness of regional, religious, caste, class and tribal groups to grab a larger share of the national cake or to protect their interests against marauders.

Mr V.P. Singh (left) the opposition leader who is trying to unseat the Prime Minister, Mr Rajiv Gandhi

The most widespread symptom of this is the explosive tension that now exists in towns and villages across north India between Hindus and Moslems – reflecting the build-up of militancy within both communities which has come to a head with the planned March by Hindu fundamentalists on November 9 to lay a foundation stone for a new Hindu temple on the site of a Moslem mosque. In this year of the centenary celebrations of the birth of Jawarhlal Nehru, the country's first Prime Minister, there is a tendency to look back to his administration as a golden age and see all these changes as marking a breakdown in the country's democratic institutions.

The same issue of the Seminar magazine quotes a popular film song of the 1950s which reflects the then con*fidence of a nation that felt it had* successfully weathered the rocks of independence and partition and had faith in its leadership:

"We have steered the ship and brought it through the storm, My children, look after this country with care."

But though many Indians are reluctant to recognise this, the changes are also the signs of a more dynamic society *throwing off some of the con*straints of social immobility and government regulation that have impeded growth in the past. It remains a perhaps unpalatable fact that in many societies – like the US in the late 19th century or the Italian city states of the 15th century – rapid rates of growth have been accompanied by violence and the rise to power of "robber barons." Indians thus face an election confronted with phenomena that leave them uncertain and unsure about what lies ahead. If they see a landmark in the erosion of their institutions, they trace it back to the break-up of the Congress party.

Mrs Indira Gandhi, when she took over as Prime Minister in 1967 inherited a party that was still a national organisation with a strong local base and party workers actively involved in formulating policies and choosing candidates. It was Congress party workers who damped down the fires of communalism at the time of partition. The party she handed over at her death had no local democracy and no grass roots contact.

In the wake of her early battles to gain supremacy over her colleagues, she had run it in authoritarian style so that office-holders, policies, and the selection of candidates were depen*dent on her alone. In that atmosphere*, Congress became a party of patronage and job seekers in which money and muscle came to play an increasing part. The vacuum left at the grass roots level was rapidly filled by regional, communal and caste groups and by professional lobbies like those of the northern farmers. It was these that articulated local grievances and aspirations that Congress was no longer *able to do*. There were regional and linguistic parties in the 1960s. But it has been in the 1970s and 1980s that movements like Sikh secessionism, the Telugu Desam of Andhra Pradesh, or Bodo nationalism in Assam have really taken root.

When Mr Rajiv Gandhi took over as Prime Minister in 1984 on a platform of "clean" and "efficient" government, he saw the dangers of a Congress party dominated by "powerbrokers." He rebuked the party at its centenary Congress in Bombay in January 1986 saying: "We (Congress) obey no discipline, no rule, follow no principle of public morality, display no sense of social awareness, show no concern for the public. Corruption is not only tolerated but even regarded as the hallmark of leadership."

His cousin, Mr Arun Nehru, a senior minister at the time and now a leader of the Opposition, says that "the hunter became the hunted" and that "the system got the better of him." Under the impact of defeats in state elections and then the Bofors scandal, Mr Gandhi shunted aside those he felt might challenge him and, like his mother, made loyalty and subservience the test of office. In this concentration of power on a small group around him and in the *pressurising of Parliament, the police*, the judiciary and the civil service, the Bofors case – like original sin – has acted as a propellent driving his *administration to increasingly desper*ate measures in the hope of escaping the consequences.

The shift to more market-oriented policies – carried through in Mr Gandhi's early measures of liberalisation – has also contributed to the *sense of disorientation and fragmenta*tion. The economy has grown faster than at any period since independence. But more rapid industrialisation has also brought with it worse pollution turning once quiet cities like Pune (Poona) or Jaipur into nightmares of exhaust fumes and noise.

The benefits of higher growth have as yet been concentrated on the Indian middle-class – numbering anywhere between 100m-200m – and reflected in rising sales in recent years of passenger cars, TV sets, fridges and other "luxury" consumer goods. As against the sharp improvement in living standards of the urban rich, the rural poor have seen their earnings *eaten into by inflation* which has equally been rising faster than India's historic trend.

At the same time regional differences of wealth have been accentuated, with the eastern and central regions of the country slipping further into poverty. Market economics has also favoured the emergence of a new aggressive class of entrepre*neurs, symbolised* by men like Mr Dhirubhai Ambani, the head of Reliance Industries, or Mr Abhey Oswal, of the Oswal fertiliser and chemical group, whose emerging business empires have been built on a combination of spotting market opportunities and of influence in the corridors of power. These symbols of the new class are regarded with a mixture of envy and displeasure within the pub*lic service that has traditionally* run the country.

Mrs Gandhi kept "business" under a tight leash. Her son is increasingly letting them have their head. "Business" is thus getting much of the blame for the troubles that have beset his administration. The election campaign will take up both directly and indirectly many of these issues. The one cause that unites the Opposition is their determination to get rid of Mr Gandhi. He is seen as the symbol of all the nation feel uncomfortable with – the flashy affluence of the new rich, corruption in public life, the authoritarian rule of the Nehru family, the disappearance of "value-based" politics, the erosion of institutions, and the widening gaps in living standards. On all this the Opposition will hammer home the need for a change.

The character of the Opposition as a coalition of mainly regional parties reflects in itself an alternative view of how India should be run. As against the Congress emphasis on national unity and strong central government, the Opposition opens up the prospect of a more federal style of administration and more autonomy in the regions. As against Mr Gandhi's increasingly personal rule, the Opposition offers coalition and a more collegial style of government. Against the risks of authoritarianism, it poses the dangers of instability and incoherence.

Prominent as well in the campaign

Prominent in the campaign rhetoric of both sides is how to redress the growing imbalances of wealth

rhetoric of both sides is the issue of how to redress the growing imbalances of wealth within the country – between the industrial sector and *agriculture, between the poorer and* the rich. If there is no frontal challenge to continuing liberalisation from either the Congress leadership or that of the Opposition, it is clear that a major task for any future administration will be how to compensate those whom growth has left behind.

Mr Gandhi is expected to open his campaign on November 1 having commemorated the fifth anniversary of his mother's assassination the day before. The Opposition, though currently preoccupied with seat adjustments, cannot afford to delay much after that. The result of India's elections turns more than most on the momentum generated in the campaign. It is by no means certain yet which way this will move.

OBSERVER

Second time round

■ Banque Indosuez's swoop on Morgan Grenfell is a fascinating move, especially for any banker with a keen sense of history. The French have been involved in Morgan Grenfell before, and it never worked out. In the early 1970s, after plans for Morgan Grenfell to get closer to its two American cousins, Morgan Stanley and Morgan Guaranty, had fallen apart, the UK merchant bank began exploring the possibility *of getting closer to Suez and* Mitsubishi. In 1973 a co-operation agreement was worked out with Suez, which included an exchange of shares, although the latter was never consummated.

As sometimes happens with these grand ideas, Sir John Stevens, the architect of the deal, died shortly afterwards. *Although the companies did* enter into joint ventures, by 1976 it was clear the partnership was not working, primarily because of conflicts of national interest and there was an amicable parting of the ways. Morgan bought the French out of a Singapore merchant bank and sold its stake in a Hong Kong joint venture.

Mr Antoine Jeancourt-Galignani, the chairman of Banque Indosuez, stressed yesterday that circumstances have changed a lot since then. However, there have been few really successful examples of cross-border mergers between financial institutions, and despite the French logic, it is hard to see this being a marriage made in heaven. Perhaps Morgan Grenfell should dust down its files and consider regurgitating the aborted plans to get back together again with its US cousins.

Solid job

■ NatWest's loss is Blue Circle's gain. Blue Circle, one of the grand old names of the UK building materials industry, has been looking for a new chairman for some time, and the appointment of the 58-year old Sir Peter Walters to succeed Sir John Milne comes not a moment too soon. The combination of the ill health of Mr David Poole, the group's joint managing director, and some rather expensive diversification moves has made the group look vulnerable.

Given his record at British Petroleum, Sir Peter's appoint*ment suggests that* Blue Circle is intent on beefing up both its board and management, which will please the City. In NatWest's case the board apparently bridled at Sir Peter's conditions for accepting the job. However, it seems that Blue Circle found no problems on this score. But then its stock market capitalisation of £1.1bn, is a fraction of both NatWest's £4.6bn and BP's £15.4bn.

Down time

■ The latest example of Hutber's law, that progress brings a deterioration in standards, comes courtesy of London *Underground, which is closing* London's Mansion House tube station from next week. "To enable the work to be completed in the minimum possible time, and with the least disruption to passengers, the station will be closed for 15 months." What a way to run a railroad.

Danger

■ Airports are gaining a special place in the Barlow Clowes saga. Earlier this week Mr James Levy, the lawyer nephew of Sir Joshua Hassan, former chief minister of Gibraltar, was arrested at Gatwick. The police had got wind of the fact that he was passing through Gatwick in transit

"Never a delay when you want one, is there?"

from Gibraltar, and took the opportunity to pounce.

He was not the first. Mr David Mitchell, a former director of Barlow Clowes parent *James Fergusson, was also* nabbed at Gatwick earlier this year. He had been popping over from his home in Geneva to visit his daughter in the UK – a fact spotted by an eagle-eyed employee of one of the liquidators.

A third man charged in connection with Barlow Clowes, Dr Peter Naylor, also had an unpleasant encounter at an airport. He was served writs by laywers involved in the liquidation while actually on an Air Gibraltar plane.

Police investigating the Guinness case, who face an arduous extradition process to get lawyer Mr Thomas Ward to the UK, must be green with envy.

Star turn

■ Mr John Curry, the 51-year old businessman tapped to take over the chairmanship of the All England Club at Wimbledon in December, is noticeably shy about discuss*ing the challenges facing the* most famous institution of the world tennis establishment. Having captained the Oxford University tennis team, he joined The All England Tennis Club in 1971 and went on to the committee in 1979; so he should know a thing or two about the tennis business.

However, he prefers to stay *silent for the moment*, which is probably no bad thing since he arrives at the top of Wimbledon at a time when the game is going through one of its periodic bouts of infighting. The *men's game, in particular*, has been so successful that the players, promoters and clubs are all fighting over the spoils. The Association of Tennis Professionals, headed by Hamilton Jordan, one of the more controversial figures in the Carter administration, is challenging the grip of the International Tennis Federation, and the *tennis establish*ment will be looking to Mr Curry to give a strong lead.

At least Curry has a sound business grounding which *should come in useful given* the way the game is going. A Harvard MBA, he helped his brother, Peter Curry found Unitech, an electronics company, before branching off to set up his own company, Acal, three years ago. However, the new post will be more a test of his political skills than his business acumen.

Same again

■ And then there is the story about the Englishman who *is given three wishes by a* genie. "For my first wish" he says "I want a pint glass of lager that never empties." The genie obediently works his magic and the Englishman takes a long drink; the glass immediately fills up again. "And what" asks the genie "is your second wish?". The Englishman doesn't hesitate. "I'll have another one of those".

POLITICS TODAY

Stuck with the same old image

By Joe Rogaly

The part of Britain's Conservative Government that resides in No 10 Downing Street – the commanding part – is stuck on a fixed trajectory.

It will stay stuck while Mrs Margaret Thatcher remains Prime Minister. It is about as set in its course as the Republican White House might have been if Article XXII of the constitution of the United States had not prevented Mr Ronald Reagan from *running for office more than twice.* "To thine own self be true," Mrs Thatcher said of her creed when she addressed the Conservative Party conference in Blackpool the other day. "To thyself be true," says her personal economic adviser, Sir Alan Walters, in the concluding words of his now famous article for a forthcoming *issue of The American Economist.*

It is worth quoting Sir Alan's two preceding sentences, for together with that familiar-sounding conclusion they *constitute the essence of the* kind of mind that the Prime Minister is most well-known for admiring: ". . . . one should never give in to pressure – *to be popular* or fashionable or in the mainstream. One should concede only if the argument and evidence win the point or the day." These fine perorations, which bring together in one comprehensive sweep both Hamlet and ham, define not only their author's view of his own "life philosophy", but also the Prime Minister's view of hers.

Just what are we to make of it? The answer is to be found by drawing a straight line. Call *it the* Self-Be-True line. Label one end of it "self-confidence and commitment" and the other "raving megalomania." Economic colleagues and admirers of Sir Alan would place him at the flattering end of this line. The Chancellor of the Exchequer, Mr Nigel Lawson, might move the Professor some considerable *distance in the other direction.* Permanently smitten Thatcherites will put Mrs Thatcher at the desirable end of the scale; the Prime Ministers of Australia and New Zealand, not to mention the heads of government of fourscore other Commonwealth states, may well demur.

When Mrs Thatcher first came to office her firm single-mindedness was of inestimable value in clearing up the awful mess left behind by the outgoing Labour Government. It was successful in the Falklands war, and it has served her well on many occasions since. It is still strongly admired in many capitals, from Pretoria to Warsaw. I think she has overdone it recently, as when she made an agreement with the other 11 members of *the European Community at Madrid* and then poured cold water on the essence of it, or when she played the same game at the Commonwealth conference. This game will eventually create mistrust. No matter what her Foreign Secretary says, or she signs, the world knows that she is against sanctions and, as many people are coming to realise, that she expects to avoid membership of the exchange rate mechanism of the European Mon*etary System while she is in office.*

Overdoing it is, however, a long way from going off one's trolley. The Prime Minister's fixed philosophy has *long been a subject of speculation* in the political world; megalomania is the least of the epithets used by her more trenchant critics. My own view is that she is now so powerful, and so isolated, that it would be surprising if she were not edging slowly towards the wrong end of the line. If she went too far that would of course conclude her career; the remarkable fact about her is that to date she has not done so. Even so, her character is now in *danger* of being transformed from a political asset into an electoral liability. The Conservative Party is beginning to doubt the value of more privatisation, more Little England outbursts against the EC, or yet more stringent husbandry in the public services. Its leader well understands the need for tactical politicking, but she is unable to turn away from the long march upon which she embarked in 1979. If she did so, she would be nothing. Her trajectory is set.

I am deliberately dodging the issue of where this trajectory is leading. The market will decide. If the economy is looking relatively good again in 1991, the chances are that Mrs Thatcher's third term will be followed by a *fourth* – unlikely as that may seem to some observers at the moment. If we have a painful recession next year, followed by the start of a long hard climb out of it the year after, then Thatcherism, which has lived by the market, may die by the market.

It was curious to hear a debate on the economy in which the Tories were not winning the argument

If that were all there is to it, there would be no point in taking the analysis further. In reality, the sense of well-being and economic optimism, which is the prime predictor of British general election results, will probably be neither decisively high nor decisively low in 1991-92. In such conditions other political factors come into play. Those factors, of which the Prime Minister's sense of historic mission is one, currently favour the Labour Party. We will come to others in a moment, but before Tories get too gloomy, or Labour supporters too euphoric, it is worth chalking the arithmetic back up on the blackboard.

As matters stand, Labour is about 10 percentage points ahead of the Conservatives in most opinion polls. This figure will probably rise as the effect of the current round of mortgage rate increases works its way through the political system. Rough projections of double-digit leads give the Labour Party what would be a miraculous victory and, consequently, a strong working majority of 50-plus seats in the House of Commons. Just a fortnight ago, however, a Press Association poll of the regions showed significant variations.

In Greater London, for example, Labour was projected to win 28 seats from the Tories and three from the former Alliance. The area has 84 constituencies. In the rest of the south-east, which has 108 constituencies, *Labour was projected to win only five* Conservative seats. Voter support for the Conservatives fell by 10 percentage points in Greater London, but rose *by half a point in the rest of the* south-east. Forecasts based on such regional analyses halve the notional Labour majority; drop the national average Labour lead by *three or four* points and the party's overall majority melts away. Question: how much money are you prepared to put on Labour sustaining a 10-point lead right through until next polling day?

The uncertainty of the odds on that bet gives flavour to the present season's politics. It was a curious feeling, on Tuesday, to hear a debate on the economy in the House of Commons in which the Conservatives were no longer winning the argument. If a television audience had been able to see Labour's Mr John Smith take easy command over the House, Conservatives *included*, the damage to the Government would have been greater.

Such debates will be televised over the next two years; it is no longer axiomatic that the Tories have the best political face to show.

As Mr Smith pointed out in his genial burr, the Government can no longer hide its own shortcomings behind rhetoric about Labour's failings. It is more than 10 years since Labour was in power; the Conservatives have to carry the can for the present state of the economy. The potential TV magic of Mr Smith goes further than that however. *Economists and finance directors may* reasonably deride his reliance on persuasion of the banks to ease up on lending; viewers in general may warm to *this smiling man's sensible-sounding* talk about reasonableness and duty. "I am astonished, once again, that the concept of common good and *civic purpose is so lacking among* Conservative members," said he.

His speech destroyed, in advance, the principal case put by the Chancellor of the Exchequer, Mr Nigel Lawson, that Labour had done worse in its time and that interest rates were already working. Mr Lawson was a lonely figure on his front bench; not so the acerbic Mr Gordon Brown, who wound up for Labour with a bludgeon: "This is the Chancellor who said that he would eliminate inflation. It looks just now that inflation will eliminate him. . . . his day begins with a begging telephone call to the president of the Bundesbank and continues with telexes to the Bank of Japan and with calls to the Federal Reserve Bank. . . . the Chancellor who once boasted of his economic successes around the world is now reduced to ringing round the central banks for handouts. . . . " Viewers with memories longer than 10 years might wonder whether anything has changed since 1979.

The Tories are set to lose more *arguments next year. The doctors* have not finished with them yet. People may trust Mr Kenneth Clarke with the National Health Service, but, *fairly or not, they will have difficulty* in trusting a Prime Minister possessed of a messianic privatisation and free-market vision. The teaching unions *are preparing to fight a sophisticated* set-piece battle in 1990; they will be after more pay, but they will try to win public opinion with arguments *about the quality* of schools. Water and electricity privatisation, plus the poll tax, will return to haunt the Government. People will still be sitting in ever-longer traffic jams, wondering whether someone is going to do something about it. In the EC, Mitterrand and Delors are already vowing not to let her get away with it next time.

In all these areas the Opposition will be on the attack, the Government on the defensive. Labour will project "time for a change," and "something new." The Conservative leader, will appear on the TV screen with the same old message. While they have her as their leader, the Tories are stuck with it.

LOMBARD

Never mind about the bear

By John Lloyd

THE ACTING President of Hungary declares on Monday that his country is a "bourgeois democracy." The Mayor of Budapest, speaking in the City of London's Mansion House on Tuesday, says that "Hungary once again looks towards the West." Mr Imre Pozsgay, the former communist, now an 18-day old socialist minister of state and a contender for the Hungarian presidency in next month's elections, is in the UK today to open the month-long Hungarian festival in the Barbican centre with declarations of the same sort. No country, not even Poland, has been so unambiguous in its desire to re-enter the Western fold.

Mr Wojciech Lamentowicz, a foreign policy adviser to the Polish Government, has proposed in advance of this weekend's Warsaw Pact summit that the terms of the pact be changed to make it clear that being in a sphere of security no longer means being within Soviet influence, and that never again can intervention be a possibility. He expects Hungarian support to force a change in the Pact.

But – the strategists and advisors in the West object – this kind of thing must have limits. It is one thing to declare *an end to the Brezhnev doc*trine, under which the Soviet Union determined what was and what was not socialism. It *is another entirely to push the* limits to the point where future decisions entail leaving the Warsaw Pact and Com*econ, and seeking a neutral* status.

The Hungarian parties – including the liberal Free Dem*ocrats* – had to a greater or less degree accepted this reasoning, without necessarily liking it. But the speed of political movement in Hungary, a speed dictated by public opinion and the politicians' awareness of it, now puts that careful accommodation in doubt.

First, Soviet insouciance about the developments in Hungary has probably depended on the assumption that Mr Pozsgay would become President. Mr Pozsgay often now sounds like an anti-communist and we can expect that strain to become more pronounced as his election campaign gets under way: all the same, he is "known to Moscow" and that is seen to be important. But he is no longer a shoe-in. The Hungarian Democratic Forum, probably the most popular political force, has a candidate in Mr Lajos Fur. The Free Democrats may succeed in getting a referendum on whether or not the Presidency should be held by national plebiscite next month, or instead wait until the parliamentary elections early next year, and be chosen by the new parliament.

Second, as Hungarian officials realise that they are no longer under the guidance of the "leading (Communist) Party," they are becoming much more adventurous in speculating about their country's future. They have so far seen no Soviet bottom line. On the contrary, Mr Pozsgay and others claim that they have received only encouragement or at least acquiescence. So, the officials now say to the West, it is you who are inhibited about our movements; you who cling to an outmoded idea of what the Soviets will bear; you who encourage us to seek pluralism and the market, but who baulk at the responsibilities you have to bear once we take your words *at face* value.

Public opinion will surely have a role here. Just as the crowd who heard the acting President declare a bourgeois republic roared approval of his declaration that Hungary should have good relations with the US, they booed his carefully balanced nod to the Soviet Union. Politicians facing electorates next year will remember that scene, and tailor their rhetoric to it.

The lesson from the recent past is that both the reformers within the east European camps, and the policy makers watching them from the West, have had constantly to revise upwards the level at which "stability" is pitched. For the moment, it is the Hungarian people who will decide: which is why Hungarian politicians, when asked if they really *are* thinking of neutrality, now tend to reply, half anxiously and half defiantly – "why not?"

LETTERS

Fracas in the media over Sir Alan Walters

From Mr Esra Bennathan.

Sir, Sir Alan Walters's comments on the European Monetary System, the occasion of much commotion in recent days, were first printed in your UK edition of October 18 ("PM's economist adds his guarded support").

They were taken from the later pages of a lengthy autobiographical essay, written for a series that The American Economist, journal of the economics fraternity at Pace University, New York, was proposing to publish.

Publication of Alan Walters's piece had to be deferred for various editorial reasons. I first saw the complete typescript some 18 months ago, and I remembered it when Mr Simon Holberton, the author of the FT article, approached me several months ago for a friend's assessment of Alan Walters's person, career and work, in preparation for one of a series of articles on economists (as I understood the purpose).

It was at my suggestion that a copy (when finally unearthed) was mailed to Mr Holberton as background material to his researches. In two of my three telephone conversations with your colleague I mentioned, because it seemed to me relevant, that Alan Walters's essay had been produced some time ago.

There is, moreover, internal evidence in the piece itself for the approximate *terminus ad quem* of composition. Mr Holberton's article failed to make it clear that he was quoting Alan Walters's voice from a reasonably remote past: remote in terms of economic developments, policy debate and the status of the author himself. Perhaps you, and your colleague, did not then think it mattered: everyone is entitled to episodes of innocence.

In the following days, however, when the quotation was widely understood, cited and used as a recent statement – already printed or soon to be, and recently written or spoken in an interview – and thus evidence of Alan Walters's engaging in guerrilla warfare against the Chancellor, the omission must have struck you, in possession of the facts, as material and damaging to public affairs as well as to the man.

I should have thought it an elementary matter of journalistic and editorial responsibility to investigate the provenance of what you had printed if you did not already know it in full detail, and to put matters in their true perspective.

As it is, by your silences and your *utterances since then* (most recently by your political writer in the FT on October 25) you have been fanning the flames.

Esra Bennathan,
108 Clarence Gate Gardens,
London NW3

The Financial Times contacted Sir Alan Walters in connection with a profile it was researching. Sir Alan said he would send a copy of a biographical essay he had written for publication. The essay reached the FT after our profile of Sir Alan had been published. No restriction was placed on the FT's use of Sir Alan's essay. There was no suggestion that his views on policy matters had changed since he wrote the article. It was therefore handled in the normal way. The FT article of October 18 *made it clear that the source for Sir Alan's remarks was a biographical essay to be published by The American Economist, not an interview. – The Editor.*

'The single market could be a farce for textiles'

From Mr K. Neundörfer.

Sir, Though the main emphasis of the study prepared for the Department of Trade and Industry by Professor Silberston on the Multi Fibre Arrangement (MFA) is the situation in the UK (Peter Montagnon's report, October 20; FT leader, October 25), it is also of great interest for the textile industry of other EC countries such as West Germany.

In complete agreement with our colleagues from the British textile and clothing industry, we feel confirmed by this study in our offensive stance. We are in favour of a gradual re-integration of world textile trade into the general GATT rules (though this implies, as Silberston stresses, a longer transitional period), albeit under the precondition that, simultaneously and in parallel, the widespread distortions *of* competition in world textile trade such as dumping, subsidies, infringements of intellectual property rights, closure of potential markets, non-cost-oriented prices by the state trading countries, are abolished.

The economic and social effects of abolishing the MFA, as Silberston mentions, must be criticised; the more so because UK circumstances cannot be taken as typical for the EC in general, and because the Community can only practice a uniform trade policy. Often the textiles and clothing industries are located in "under-developed or backward" regions in the EC (*not only in the new* member states) with a high degree of female employment; occupational mobility for these employees is practically non-existent.

It is surprising with what quantitative precision the advantages of total liberalisation for the consumer are "calculated" in the Silberston report. In particular this goes for passing on possible price reductions for imported goods from the retail trade to the consumer. The lower the mark-ups are in retail trade – in West Germany, considerably lower than in the UK – the smaller the probability that price reductions will be, largely or even in most cases, to the consumer's advantage.

As regards the effects of the European single market, also dealt with, the suppression of the quotas of the single member states and of Article 114 of the EC treaty are a logical consequence of such a single market. How this will affect the distribution of imports among the individual member states is currently a matter of EC-wide speculation. Nearly every industry in the Community alleges that it stands to suffer most in this process.

Irrespective of which speculation turns out to be correct, the European single market will merely be a farce for the textile and *clothing* sector without suppressing the partition of the EC quota among the member states.

K. Neundörfer,
Central Confederation of the German Textile Industry,
Schaumainkai 87,
6 Frankfurt AM Main 70,
West Germany

From Mr J.A. Nightingale.

Sir, Your leading article on trade in textiles (October 25) and Peter Montagnon's article (October 20) give inadequate weight to some important parts of Professor Silberston's report, published last week by the Department of Trade and Industry.

The link between the Multi Fibre Arrangement's (MFA) future and progress in achiev*ing strengthened* GATT (General Agreement on Tariffs and Trade) rules and disciplines during the Uruguay Round negotiations is acknowledged by all the participating countries, and is backed the report. It is accepted not only by the southern European governments to which your leader refers, but also by the Community as a whole, and forms part of the EC's recent submission to GATT.

The stress given to an international agreement on GATT safeguards as a precondition for ending the MFA is well-founded, and deserves more attention that it has received so far. The prohibitive barriers to trade imposed by many developing and newly industrialised countries, and the distortions these cause in world trade in textiles and clothing, are also far too important to be dismissed as readily as does your leader.

We find much to agree with in Professor Silberston's report. However, the statistical relationship that he suggests between price changes and loss of textile and clothing jobs as a result of ending the MFA seems to us highly implausible. If he is right (which is questionable) in his assessment of price changes, his estimate of 33,000 jobs that would be lost is an important *understatement*, given the serious additional pressures on UK manufacturers that would result. The *impact* on employment in UK inner city areas, the north, the north west, Yorkshire, the East Midlands, Scotland and Northern Ireland would be particularly acute.

The UK Government and the EC must continue to press in the Uruguay Round negotiations for strengthening GATT rules and disciplines on dumping, subsidies, intellectual property and safeguards, and for the reduction of tariff and non-tariff barriers facing UK exporters. The future of the MFA is linked to real and demonstrable progress on these issues.

J.A. Nightingale,
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7 Swallow Place, W1

FINANCIAL TIMES
Friday October 27 1989

Brittan proposes aid repayment by Renault

By Lucy Kellaway in Brussels and Will Dawkins in Paris

SIR Leon Brittan, the European Competition Commissioner, yesterday proposed that Renault, the French state-owned car company, should repay in full FFr12bn ($1.9bn) of state aid that it was granted in 1988.

Such a demand, if endorsed by the full Commission, could prove intensely embarrassing for the French Government which is half way through its six month presidency and looking forward to a successful summit in Strasbourg in December.

Sir Leon's decision, which may well lead to a head-on clash with the French Government, follows several attempts to reach a compromise with Paris which, it is alleged, has failed to abide by the terms agreed when the money was granted.

These terms specified that the company's statute, which does not allow it go bankrupt, should be changed to put it on a competitive footing with other European car manufacturers. The conditions also laid down a restructuring plan under which a capacity of Renault's assembly plants would be cut by 25 per cent between 1984 and 1990.

His proposals, which are being circulated among his colleagues for comment, are likely to be put in full to the Commission in two to three weeks.

Opposition is expected from the French commissioners, but officials yesterday suggested that the proposal had a fair chance of being carried. The French Government, which would seem certain to appeal against any decision, has argued that the original agreement no longer applies because since it was signed both the French Industry Minister and French industrial policy have changed. Moreover, it has claimed that the strength of the European car market, which was not forseen when the agreement was signed has made the rationalisation plans invalid.

Sir Leon's move is his toughest since he took over the competition brief from Mr Peter Sutherland in January. Since then, Brussels' stance on state aid has been considerably tightened, with existing as well as new state aids falling under the Commission's scrutiny.

The row over Renault comes on top of three separate disputes between France and Brussels on air transport policy. On Wednesday evening the Commission expressed doubts about a route sharing agreement between Air France and Air Inter.

Any decision to force tough terms out of Renault would be welcomed by both the British and West German governments which themselves have been forced by the Commission to make cuts in their planned state aid to Rover and Daimler Benz.

After a meeting last week with Mr Michel Rocard, French Industry Minister, Sir Leon was not convinced that enough progress was being made to meet the conditions and he decided to opt for the most radical form of redress.

Sir Leon has been willing to do a deal with the French that would relate the size of any repayment to the amount of restructuring that has been acheived.

But the French side has not wished to negotiate.

The two sides dispute how much of the rationalisation plan has been taken place, with Brussels arguing that over the period Renault's capacity has actually increased. Some progress has been made on Renault's status as a company, with broad undertakings given by the French Government that should Renault get into trouble again, it would not necessarily be bailed out.

A decision against Renault's FFr12bn debt write-off would be a serious setback for the Paris Government, already in the throes of a difficult internal debate over how to improve the weakening balance sheets of other state-owned companies.

It would also be a financial disaster for Renault, which refused to comment on the latest Commission developments yesterday. The group is basking in a profits recovery, with net earnings more than doubled to a record FFr8.9bn last year, on the back of the general strength of demand in the European car industry.

Tin council creditors lose ruling on debt

By Raymond Hughes in London

BANK and broker creditors of the International Tin Council, which crashed into insolvency in 1985 owing hundreds of millions of pounds, have finally lost their legal battle to force the council's members to pay its debts.

Five English Law Lords yesterday totally and unambiguously rejected the creditors' arguments, ruling that the members – the UK, 22 other states and the European Community – had no liability under English law.

Although a second big tin case is wending its way towards the Law Lords, the expectation is that the ITC states and the creditors will now concentrate their efforts on bringing to fruition out-of-court settlement discussions that have been in train for many months.

The creditors are understood to be willing to accept £187.5m ($300m). The states' latest offer is believed to be £12m short of that.

The ITC was established to maintain a balance between tin production and consumption and to prevent excessive price fluctuations.

There were few words of comfort for the creditors in the 48-page ruling handed down by the Law Lords.

Only one of them came near to echoing the criticisms of the ITC and its members, and the suggestions of moral, if not legal, responsibility made by judges in the High Court and Court of Appeal who had earlier rejected the creditors' claims.

Lord Griffiths said he dismissed the creditors' appeals with regret because in his view they "have suffered a grave injustice which Parliament never envisaged at the time legislation was first enacted to enable international organisations to operate under English law."

Lord Templeman said that acceptance of the creditors' arguments would involve a breach of the British constitution and would be an invasion by the judiciary of the functions of government and Parliament.

He said the case could not be decided by criticising or blaming the member states or by attributing to the operations of the metal exchanges the decline in tin prices that bankrupted the ITC, inflicted a loss of up to £500m on the states and caused poverty and unemployment to the producing states.

"The courts possess neither the evidence nor the authority to pronounce judgment on these matters," he said.

"International diplomacy and national policy will decide whether the debts of the ITC, an international organisation established by treaty, shall be discharged by the member states and, if so, in what manner the burden should be shared. English judges cannot meddle with unincorporated treaties."

ITC ruling dashes creditors' hopes, Page 40

China says sanctions blocked $10bn loans

By Colina MacDougall and Robin Pauley in Peking

WESTERN economic sanctions imposed against China after the June massacre of peaceful demonstrators in Peking have started to bite deeply into the country's trade and economy.

Mr Zheng Tuobing, Minister of Foreign Economic Relations and Trade, said yesterday that an estimated $10bn of loans including $300m from the British Government had been suspended and no negotiations of any sort were taking place for new official borrowing.

"June 4 also had a big impact on China's imports and exports. We hope this can be made up in the future. But we cannot make up the losses from sanctions on loans.

"We hope sanctions will be eliminated as soon as possible. But we have no idealistic ideas that this will be over very soon and we are preparing for a long period of sanctions," he said.

Mr Zheng said that it might seem on the surface as though sanctions had not affected China much. For example, China's imports from Britain increased by 42 per cent in the first eight months of 1989. "But all that increase is the result of old contracts signed last year. But all these contracts will be finished very soon. Because of economic sanctions we are not discussing any new contracts with Britain. If the present situation continues trade between China and the UK will be greatly reduced."

Mr Zheng hinted that China may have to raid its foreign exchange reserves next year to ensure that all interest and principal repayments on the country's mounting foreign debt are met on time. China's foreign debt has almost doubled from $21.6bn in 1986 to $40bn this year and although a significant proportion is long-term debt, interest and principal repayments peak next year.

The country's leaders are determined not to reschedule their debt or to make a late payment although the current economic crisis suggest repayment difficulties next year. "We do not think that borrowing new loans to repay old debts is a good idea. I am quite certain we will not use a lot of the foreign exchange reserves to repay interest and principal in 1990."

Mr Zheng said China was now seriously discussing how much more debt the country could sustain. "We will continue to borrow but we will restrict the scale," he said.

He also confirmed that a vigorous debate was under way in China about the need to devalue the Renminbi currency. "It is quite obvious that the present exchange rate is not helpful to China's exports. This situation should be changed but how great a devaluation and when it should take place is all under discussion now."

Mr Song Ting Ming, of the State Commission for Restructuring the Economy, said the devaluation question was under "heated study." The official exchange rate of 3.72 Renminbi against the US dollar was overvalued. The more realistic rate prevailing in the foreign currency adjustment centres used by foreign joint ventures was nearly 6 Renminbi to the dollar. "We devalued three times in the last decade, the last time in 1987. When the next readjustment will be made is a state secret."

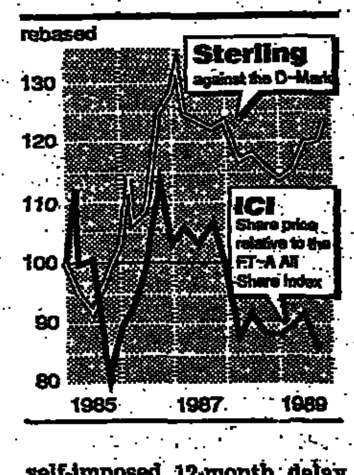
While the supporters of China's economic reforms clearly support a devaluation it is unlikely that the present hardline leadership under Mr Li Peng, the Prime Minister, would countenance such a move. Martial Law: Page 4.

THE LEX COLUMN

The navigator jumps ship

The market reaction to Mr Lawson's bombshell can only be one of dismay. What began as a mere sterling crisis has turned into one of government. For foreign investors particularly, the Lawson era has been one of relative stability in economic policy. Its abrupt termination can only increase concern about the future of the Thatcher Administration itself, just at the time when prospects on inflation and recession are at their most unclear.

If last night's first reactions on the foreign exchange markets are a guide, sterling is in for a very rough time. It is not even a matter of switching from a Lawson exchange rate policy to a Walters one. Both extremes have vanished: and given the Prime Minister's apparent view that sterling should be free to float but not to depreciate, there is no telling how official policy will now evolve. At a time when a huge trade deficit is being financed largely by hot money, the policy vacuum appears to leave the Government at the mercy of the speculators.



For the equity market, the crisis could not have come at a worse time. In a pattern which is by now becoming familiar, London was yesterday hit by bad domestic news in the morning – ICI this time – and by yet another random slump on Wall Street in the afternoon. The threat of recession was in the market's mind already: further interest rate rises might turn that into a certainty and since last night the risk is greater – especially if overseas investors fix on the possibility of a change of government. Even without that, they will scarcely warm to the sight of a financial minister of Mr Lawson's international standing being replaced by the obscure Mr Major.

It is hard to recall that base rates went to 15 per cent only three weeks ago. Since its September peak, the FT-SE has fallen by an average of 8 points a day. If this keeps up, we will be at 1800 by Christmas.

Morgan Grenfell

With hindsight, Banque Indosuez was an obvious buyer for Willis Faber's one-fifth of Morgan Grenfell. Indosuez's annual report, with its five-year plan for empire-building in corporate finance and fund management, tells the story. So it seems likely Indosuez will make a full bid, whatever the attitude of Morgan, or of Morgan's 4.9 per cent shareholder Deutsche Bank. Indosuez's self-imposed 12-month delay looks like a device to spare Willis the embarrassment of having handed Morgan to the foreigners.

For Morgan shareholders, including perhaps many employees, a takeover would be a welcome relief. After all, Morgan's shares closed at 400p last night, £1 adrift of the price it floated at in 1986. Left to itself, Morgan would have great difficulty giving a decent return to shareholders who have been with it since then, in spite of its self-rehabilitation since Guinness. As for Willis, after paying £24m tax, the insurance broker could have ample cash to spend if it wishes to bolster its European operations or undersized actuarial consulting side.

There is room for debate about the merits of folding a London merchant bank into a conglomerate like Compagnie Financiere de Suez, with its network of industrial holdings. True, the fit looks snug in, say, investment management. In corporate finance, though, the clear evidence from such as Schroders since Big Bang has been that independent status attracts more business, and avoids the conflicts of interest stemming from ownership by a sprawling parent.

ICI

The 6 per cent fall in ICI's share price yesterday was a harsh response to poor third-quarter figures, but not undeservedly so. For two years, the market has been bracing itself for the downturn in ICI's commodity business. The company's response has been that even if it came, the rest of the business would counterbalance it. Yesterday's figures show the opposite: the bulk business holding up and the rest suffering. If the consumer and agricultural businesses are not to be relied on, what happens when the industrial downturn finally arrives?

The one sector still doing its counter-cyclical stuff is pharmaceuticals, which provided some 40 per cent of profits in the slump of the early 1980s. But at that time, the heart drug Tenormin was growing explosively: it is hard to think what will fill that role now. And it does not appear that ICI's seedcorn businesses, such as electronic chemicals and advanced composites, are yet making a contribution.

It does not do to be too pessimistic. The market now expects about £1,550m pre-tax for this year and nearly as much next. If ICI escapes the downturn with nothing worse than three flat years in a row, the low rating of the past two years – the multiple is now 8 times – could prove to have been exaggerated. But it is worrying that the downturn seems to be emerging in a shape which was expected neither by the market nor by the company itself.

LIT

The fact that the losses suffered by one of the world's biggest options brokers are linked with just three local Chicago traders writing puts in UAL indicates the enormous risks that are built in to the operations of the futures and options markets. LIT is effectively underwriting the locals for whom it acts as clearer, so it needs very sophisticated monitoring systems indeed if it is to avoid such disasters; those systems failed this time.

There have been other casualties in the options market of Wall Street's precipitate decline two weeks ago, as there were in the much more traumatic days of 1987. Derivative markets are often accused of creating volatility in the financial system: whether or not that is true, it is at moments of extreme turbulence that they themselves are most likely to break down. The sophisticated calculations involved in option pricing depend on measures of volatility which inevitably reflect the norm rather than the extreme. The irony is that Chicago's success in dominating the world's futures and options markets depends on the locals, who provide the liquidity that an institution-dominated market such as London lacks. If brokers such as LIT cut back on their dealings with the locals, then that liquidity will diminish.

Opposition parties in India reach poll accord

By David Housego in New Delhi

INDIA'S opposition parties yesterday boosted their electoral chances by reaching broad agreement on putting up a single candidate against the ruling Congress Party in most key constituencies.

The agreement came as rioting between Hindus and Moslems escalated in Bihar, in eastern India, bringing the death toll since the weekend to more than 50. Mr Rajiv Gandhi, the Prime Minister, flew to Bhagalpur, a small town on the river Ganga, where some of the worst violence has been. His visit, decided at short notice, was postponed for several hours because of the seriousness of the situation.

In New Delhi, the Janata Dal, main constituent of the opposition, said that it was confident of reaching an agreement with the Hindu militant BJP party on fighting the Congress Party on a one-to-one basis in most constituencies.

The BJP also confirmed that it had reached an understanding on most seats in the key northern constituencies with the Janata Dal. All political observers agree that without an agreement on seat sharing the opposition had no chance of defeating the Congress Party.

In the largest state in the union, Uttar Pradesh, which has 85 seats, it thus seems likely that the Janata Dal will put up more than 60 candidates, while the BJP restricts itself to about 15. In nearby Madhya Pradesh, where the BJP is strong, it has already announced 30 candidates in a state where there are 40 seats.

The understanding between the opposition parties suggests that Mr Gandhi's tactic of a snap election to catch them off balance has not been the success he had hoped.

Before Mr Gandhi's arrival, troops marched through Bhagalpur in a display of force to quell rioting.

Pöhl says Bundesbank 'not hostile' to full European monetary union

By Lucy Kellaway in Brussels

MR Karl Otto Pohl, President of the Bundesbank, yesterday sought to overturn the popular view of the German Central Bank as being hostile to the idea of full monetary union.

Mr Pöhl said that a common European currency, issued by a common European central bank would have practical advantages over the present system, would be an "impressive manifestation of a European identity," and would be a factor in helping to stabilise the international monetary system.

However he added that neither were pre-requisites for monetary union, which had taken place already to a large extent.

Mr Pohl, who was speaking to the Association of Cooperative Banks of the EC in Brussels, re-iterated the German preference for a much more gradual progress towards European monetary union than the speedy implementation being urged by Mr Jacques Delors.

He urged governments meeting in Strasbourg this December not to succumb to political pressures but to move slowly.

"We are dealing with a fundamental restructuring of Europe's economies. This has to be done cautiously," he said.

Although progress was being made in some areas, he said that "we are far away from having the adequate institutional provisions for a common monetary policy."

Using the Bundesbank as his model, he repeated the German insistance that any European central bank would have to be independent and flexible. He cast doubt on whether "all European governments and parliaments are willing to transfer sovereign rights to a supranational institution and to grant autonomy to this body."

He took the opportunity to deliver a full tribute to the role of the D-Mark as the linchpin of the EMS and the spur to the adoption of anti-inflationary policies by other European countries.

"Surely, the Bundesbank can take credit for that to a certain extent," he said.

Lawson resigns as UK Chancellor of Exchequer

Continued from Page 1

of their meetings yesterday to stay on.

Mrs Thatcher, however, made no mention of Sir Alan and after summing up Mr Lawson's achievements added pointedly: "It is a matter of particular regret that you should decide to leave before your task is complete."

As Chancellor since 1983, Mr Lawson was widely credited with winning the 1987 election for the Government through the success of his economic strategy. But Mrs Thatcher is known to have blamed his attempts to "shadow" the D-Mark last year for much of this year's sharp rise in the inflation rate.

In one private conversation she is reported to have said that his policy had "put back" the Government by two years. Despite her agreement at the Madrid European Community Summit that the Government was committed to full EMS membership, Mrs Thatcher has left the suspicion that she does not intend to join during her time as Prime Minister.

In the July Cabinet reshuffle, Sir Geoffrey Howe, the Deputy Prime Minister, was forced to leave the Foreign Office – and was replaced as Foreign Secretary by Mr Major – after playing a prominent role in forcing the issue.

Mrs Thatcher now faces the task of persuading both her own supporters and the electorate that she does not operate the "authoritarian" style of Government which her opponents allege.

The emphasis at this month's Conservative Party Conference on a "team approach" was designed to counter that image, but some ministers were saying yesterday that her refusal to sack Sir Alan would reinforce the opposition's attack.

The question that both Conservative and Labour MPs were asking last night was whether the resignation would force Mrs Thatcher to reassess her own plans to remain indefinitely as party leader.

Sterling slides in New York

Continued from Page 1

through the Federal Reserve, the US central bank.

Analysts in London said Mr Lawson's departure from the Government had added a significant level of political risk at a troubled time for the UK economy. They said sterling would be the market's central focus today.

Last night, the Bank of England indicated that the fall in the pound was unwelcome and that the value of sterling would remain one of the indicators it monitors in assessing monetary conditions. The Bank worked through the night monitoring markets and it will be taking close interest in Continental and British markets today.

Analysts said that full British membership of the European Monetary System was now firmly off the agenda and that Mr Major, though respected, would have a difficult time in establishing the level of credibility that his predecessor possessed.

Sterling, which was trading at DM2.9665 and $1.6125 just before Mr Lawson's resignation, was quoted in late trading in New York at DM2.8930 and $1.5710.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	21	70	Malta	C	20	68	Rhodes	S	22	72
Algiers	S	30	86	Edinburgh	F	11	52	Manchester	F	11	52	Rio de J'o	F	36	97
Amsterdam	C	15	59	Faro	F	23	73	Manila	F	33	91	Rome	S	20	68
Athens	S	24	75	Florence	C	13	55	Melbourne	Dr	24	75	Salzburg	S	23	73
Bahrain	S	30	86	Frankfurt	S	17	63	Mexico City	F	24	75	San Francisco	S	10	50
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Readings at mid-day yesterday

News stuns Parliament

Continued from Page 1

and it is entirely the Prime Minister's fault."

Industrialists were guarded about the impact Mr Lawson's resignation would have on business confidence.

Most were concerned it would add to the uncertainty facing industry in the wake of the rise in interest rates and last week's sharp falls in share prices.

However they also believe that it will not necessarily have a lasting impact on economic policy as long as the long-running disputes over membership of the EMS and interest rate policy were resolved.

One director of a major public company said Mr Lawson's resignation would add to the uncertainty facing industry in the short term, but would not matter in the long run as long as stability was restored quickly.

"What we want is stability in terms of exchange rates and an acceptable level of interest rates for the foreseeable future so that uncertainty is banished from the picture," he said.

Why ambitious engineers seek different work

By Michael Dixon

GO into any British business school and, despite the wide variety of people studying there, you are virtually certain to find a particular character.

It is the qualified engineer who, after several years experience in that field, is taking a master's degree in business administration to use as a passport into some other type of work — more often than not, finance. The table alongside suggests why.

It is compiled from the Remuneration Economics consultancy's latest surveys of pay and perks in three specialist fields: financial management, personnel, and engineering. It differs from the pay tables usually printed in the Jobs column. Whereas they tend to focus only on senior ranks, today's covers seven rungs of the managerial ladder leading to the boardroom.

As a result it gives an idea of the career progression typically associated with each of the three types of work, in terms of the rewards forthcoming at each successively higher level.

Even so, the table gives only a sprinkling of the data available in the full survey reports. Anyone wanting them should contact Peter Stevens of the consultancy at 51 Portland Rd, Kingston-upon-Thames, Surrey KT1 2SH; tel 01-549 8726. The financial management and personnel studies are both dated as at September 1. The engineering survey is dated as at July 1, and on Mr Stevens's advice I have *increased the pay figures in* it by 1.8 per cent to bring them into line with those from the later studies.

For each type of work at each level, the table starts by giving first basic salaries then total money rewards including bonuses and such-like. The lower quartile figures refer to the person a quarter way up from the bottom of a ranking of all people of the same seniority *in the same specialism*, the medians to the person mid-way in the ranking, and the upper quartiles to the one a quarter way down from the top. Next come the averages calculated on standard lines.

Thereafter we have the percentage of those in each category who received a bonus and how much of their total money pay the bonus represented. Then come the percentages with a company car, free fuel for private motoring, and five or more weeks holiday a year.

As may be seen, except on the two lowest rungs of the ladder, the engineers are pretty consistently worse off than their counterparts in personnel not only for salary and bonus payments, but also for cars, free fuel and holidays. The personnel specialists are in turn worse off in most respects than their equivalents in finance.

Admittedly some of the engineers' disadvantage can be explained by geography. A greater proportion of them than of the other two types of staff are employed in parts of the United Kingdom where pay-levels in general are lower than in London and the rest of south-east England.

For example, whereas 60 per cent of the personnel staff surveyed worked in those higher paying areas and 40 per cent elsewhere, the balance among the engineers was the other way round. But my checks suggest that the geographical differences cannot account for more than about half of the personnel specialists' lead over the engineers in total money rewards.

Fortunately for the UK's economic outlook, there are signs in the consultancy's reports that employers are coming under pressure to reduce the bias in pay.

The companies surveyed were finding it easier to get financial staff, with the proportion experiencing recruitment problems this year down to 46.2 per cent compared with 50 in 1988. The number having trouble in finding personnel people had meanwhile increased, but only from 20 to 22.4 per cent.

By contrast, no fewer than 56.7 per cent were hard-pressed to recruit enough engineers, as against 40.6 per cent 12 months before.

Rank	Specialism	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Upper quartile Basic salary £	Upper quartile Total money reward £	Average Basic salary £	Average Total money reward £	% who were paid bonus	Bonus as % of recipients' average earnings	% with company car	% with free petrol	% with 5-plus weeks holiday
Director	Finance	37,200	38,913	45,552	50,140	62,000	67,000	53,179	58,383	54.8	14.8	91	54	48
	Personnel	34,000	34,510	39,800	43,500	49,000	54,600	42,484	46,510	61.9	12.9	94	57	41
	Engineering	28,004	29,216	34,369	36,660	41,242	45,621	37,026	39,233	43.4	11.8	89	46	25
Head of function	Finance	27,000	28,382	33,000	34,800	40,000	43,000	35,053	36,838	48.7	9.1	87	39	42
	Personnel	24,300	25,000	29,750	31,917	36,000	37,850	30 674	32,642	55.9	9.5	85	28	48
	Engineering	22,815	23,422	26,986	27,648	33,605	35,457	28,347	29,368	44.8	7.5	74	26	41
Head of dept.	Finance	24,053	25,000	28,879	29,903	34,000	35,445	29,619	30,996	49.2	8.3	82	25	37
	Personnel	22,250	23,285	26,500	27,627	30,500	32,688	27,027	28,292	55.8	7.8	78	27	42
	Engineering	21,049	21,411	24,309	24,518	27,628	29,145	24,990	25,653	38.1	7.2	50	11	35
Section manager	Finance	22,000	22,102	26,000	26,800	30,600	32,000	26,846	27,671	50.2	6.9	70	16	39
	Personnel	19,750	20,000	22,165	23,366	26,400	27,667	23,123	23,925	46.4	5.7	61	10	42
	Engineering	19,469	19,672	21,840	21,999	24,440	24,745	22,773	23,128	34.8	4.3	21	4	47
Section leader	Finance	18,909	19,215	22,500	23,349	26,000	26,985	22,557	23,406	51.5	6.5	45	6	37
	Personnel	17,594	18,000	19,750	20,079	22,626	23,585	20,098	20,764	42.0	7.0	38	10	42
	Engineering	17,312	17,496	19,043	19,094	21,059	21,375	19,737	19,977	27.1	4.4	13	3	28
Senior staff	Finance	16,918	17,000	19,435	19,743	22,872	23,457	19,898	20,454	40.1	6.1	19	3	39
	Personnel	14,748	15,000	16,798	17,364	19,000	19,854	16,838	17,514	48.8	7.4	17	3	38
	Engineering	15,046	15,149	16,731	16,823	19,348	19,794	17,625	17,863	27.3	4.8	11	3	32
Staff	Finance	12,501	12,880	14,850	15,192	17,160	17,709	15,173	15,520	38.1	5.3	7	1	27
	Personnel	12,031	12,310	13,979	14,286	15,810	16,494	13,964	14,389	38.2	6.9	13	1	28
	Engineering	12,558	12,678	14,031	14,293	16,449	17,274	14,939	15,219	35.2	5.5	9	2	35

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FINANCIAL RECRUITMENT

ACCOUNTANCY COLUMN

Delegates find opportunities in EC disunity

By David Waller

THE Fédération des Experts Comptables Européens (FEE) – an organisation representing Europe's professional accounting bodies – held its first annual conference in Brussels last week. It was quite a jamboree, with three days of discussions in umpteen different languages complemented by a golf tournament, a banquet and a concert in a medieval church.

Those accountants who attended the pow-wow must have come away feeling both cheerful and confused. Confused, because the proceedings were frequently incomprehensible to anyone without fluent command of a host of European languages and an ability to second-guess interpreters with negligible knowledge of accounting terms. Cheerful, because business prospects look bright in the run-up to 1992 and beyond.

One of the talks was entitled: "1992, the professionals and the internal market, myth or reality?" What the gathering did bring home was just how far the profession has to go before it is truly unified in Europe. At the moment, unification is neither myth nor reality, but an ideal, and a distant one at that.

The business opportunity that provoked the cheeriness arises from the distance between reality and ideal. The greater the differences between countries and the more irreconcilable their financial or business regimes, the more help clients will require as they attempt to act as if there were indeed a single market in Europe.

The conference showed that the differences between accountants from countries within the EC encompass everything from dress code to philosophy, or from the trivial to the possibly insurmountable.

For example, it was noticeable from a look around the hall that accountants from Belgium or the Netherlands wore sports jackets, for which offence they would probably be expelled from the Anglo-Saxon profession.

Sartorial conservatism is one thing, relaxed professional standards another. FEE's discussion groups – on subjects as various as management

Those with relaxed dress codes worked in the most rigid accounting regimes

accounting and accounting for off-balance-sheet finance – brought together accountants steeped in a tick-and-bash culture with those willing to be flexible in the pursuit of new business to the point of laxity. It seemed that those with the most relaxed dress code worked within the most rigid accounting régimes.

Other differences emerged: a different role for the profession from country to country, a different structure for the profession, vastly different training requirements and status. Different rules on marketing also emerged, as did differences on accounting standards, on the sort of work that accountants can get up to, and on the legal structure of the firm or company in which an accountant can practise. Also different expectations of what 1992 has to offer.

It is intended that some of these differences will be ironed out via EC directives. The Fourth and Seventh Company Law Directives have had and will have their limited effect on company accounts. The Eighth will address the question of who is entitled to carry out a statutory audit. An unnumbered directive, adopted by the Council of Ministers in December 1988, is designed to bring about the recognition of one country's professional qualification throughout the community as a whole.

Nevertheless, as this column reflected last week, a directive is not necessarily the best mechanism for getting anything done in Europe. Much more important is commitment to change, preferably hurried along by a strong dose of market forces. Just as the increasing internationalisation of business is driving continental European companies to greater openness in financial reporting, business pressure – the pressure of clients' requirements – may drive Europe's accounting profession to a degree of unity.

Scrutiny of the delegates' list showed that accountants from the Big Six/Eight chose to boycott the conference in droves. For example, of the the nearly 40 British delegates, only two came from the big firms. Such under-enthusiasm is in marked contrast to their talk about Europe being the strategic battleground of the future, and their action in scrabbling to form new alliances with local firms.

Their absence at the first FEE conference reflects the widening gulf – so well illustrated in the UK – between accountancy as a profession and accountancy as a business. Ironically, the real pressure for harmonisation of the profession in the EC may not come from the professional bodies but from those who stayed away from last week's jamboree.

■■■■■■■■■■■■

IF ONE OF the factors behind the recent wave of mega-mergers and would-be mergers between the big firms was a sensible desire to consolidate in Europe, that has gone unappreciated by their clients. The message emerged very clearly this week in a survey published by Buckmans, a public relations company.

It showed that a large majority of 427 chief executives and finance directors, running a range of small, medium-sized and fully quoted companies, is deeply sceptical about merger mania. The only faintly encouraging statistic was that half the respondents thought that the range of technical services offered to them would increase.

By contrast, 62 per cent envisage a significant reduction in the level of personal contact with their accountant: 57 per cent are worried about a loss of flexibility in the service provided; 80.5 per cent expect fees to rise. Over half (54 per cent) envisage a lower level of commercial acumen on the part of the staff at a mega-merged firm.

It is important to note that only seven of the companies surveyed retained either KPMG or Ernst & Young, and there was no way of telling how many out of the 144 with the next six firms were with Coopers, Deloitte, Haskins & Sells or Touche Ross, all of which are indulging in courtroom squabbles over the Deloitte name this week.

Some 57 per cent of the respondents retain medium-sized firms, although 63.4 per cent said they would like to use a medium-size firm.

All that suggests that 1989-90 might represent a one-off opportunity for firms to poach a large number of disaffected clients from their rivals. Most interesting of all will be to see the extent of any realignment of clients in the wake of the Coopers/Deloitte link-up.

■■■■■■■■■■■■

A FOOTNOTE. Accountancy firms are usually keen to trumpet the work they do in glamorous areas such as corporate finance.

However, one of this summer's best kept secrets was Arthur Andersen's role as principal financial adviser to Mr Tom Duxbury and his management team over the £629m buy-out of Magnet. The firm's job was to advise the management team on how much to pay, and how to structure the deal to its best advantage.

One wondered why Andersen was being so uncharacteristically modest. Now we know: on Tuesday, Magnet announced that it would be unable to meet its ambitious growth plans and it now required a financial restructuring. Given the disquiet in the City at the time the buy-out was negotiated, it was bad enough to be associated with the deal then. Even more so now.

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Your main priority in this important and complex position will be to manage your team of over 100 staff in order to make a significant contribution towards business efficiency and profitability. You will be involved in the planning and implementation of major new initiatives throughout the company and will work closely with directors and other controllers. Reporting to a divisional director, your own work *and that* of your *teams, will* impact on *virtually all* aspects of *the* business.

To succeed in this *fast-moving environment* you will be a *graduate* in a financial *discipline, qualified* accountant *or MBA, who is technically* strong and highly communicative. Experience within a professional audit operation would be an advantage. However, the main essentials are a shrewd understanding of the importance of tight controls within a business and the personal drive and leadership skills to put them into practice. With success in this role behind you, you will be able to take advantage of the very attractive prospects which the group offers.

Please apply to Lawrence Barnett or Jackie Hardisty at our Leeds office. Ref. No. LD195.

ASB
Quebec House, Quebec Street
Leeds LS1 2HA. Tel: 0532-446611
Fax: 0532-446140
Also at: Birmingham, Liverpool, Manchester, Nottingham and Swindon

ASB RECRUITMENT LTD *A Division of ASB Barnett Kinnings Plc*

EXCITING CAREER OPPORTUNITIES FOR INSOLVENCY MANAGERS

London and Provincial Offices

The Corporate Special Services department of Touche Ross has consistently demonstrated high sustained growth. A recent league table in Accountancy Age showed Touche Ross as having 40% growth in insolvency services in 1988/89, the highest of any big eight firm, with our nearest rival having only 29% growth.

Partners and staff have been active on high quality insolvency appointments such as Anglo American Agriculture Plc, British Air Ferries Plc, Bentleys of Piccadilly Plc, Homes Assured, Sound Diffusion Plc, Super Channel, Tradewind Airways, Tudor Grange Holdings group and many others.

The list of companies we have investigated and reported on to Banks and other city institutions is equally impressive. We cannot mention names of course but the work undertaken has been technically demanding, involving loans of between £2 million and £80 million.

To maintain this momentum of growth we now need to recruit first class managers and assistant managers. They will be qualified accountants with appropriate insolvency experience, probably gained with one of the big firms but most *importantly they will be able to demonstrate self motivation and a will to succeed.*

If you are in this category then this is your opportunity to develop your career in a well established and highly successful department with real prospects for partnership.

The remuneration package will be competitive and reflect the high calibre of the people we are seeking.

For further details on opportunities either in London or other offices, please telephone Bernadette Breen, Personnel Manager, on 01-405 8799. Alternatively, you may send her your curriculum vitae at the address below:

Touche Ross
55/57 High Holborn, London WC1V 6DX.
Telephone: 01-405 8799.

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Nicholas Baker ext 3351

Elizabeth Arthur ext 3694

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

GROUP ACCOUNTANT RETAIL

West End **c.£28,000 plus f/e car**

Our client, the leading specialist multiple retailer in its sector with a group turnover in excess of £650 million, is now underpinning its sustained success with a period of consolidation and reorganisation. The central accounts function will become increasingly prominent and will aid the Group in further increasing its already substantial and rapidly expanding market share through the provision of high quality management information.

A qualified accountant is therefore sought to join the Group accounting team at Head Office. The job is seen as a vital link in the flow of timely, quality information to main board level and will include: **group/board level management information, quality review of reporting, budgeting and forecasts.**

A flexible approach will be expected of individuals since the Group's acquisitive and entrepreneurial style will result in a varied and challenging workload. The role therefore affords recently qualified accountants the opportunity to become acquainted with the whole range of management accounting issues.

The successful applicant would be a self-starter, able to act on his/her own initiative and capable of communicating with colleagues at all levels. Computer literacy is essential.

Please write in confidence, quoting reference R5061/2, to Hilary Douglas.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

GROUP FINANCE DIRECTOR

London

To prepare a profitable market-leader for full listing.

c.£45k & Management Bonus & Car & Share options.

Our client, a highly successful private manufacturing group and a £30 million leader in its field, offers a commercially astute finance professional the rare and stimulating challenge of steering a profitable organisation to full listing status.

They seek to appoint a Group Finance Director – a new position – to report to and work closely with the Executive Chairman. The Finance Director will be called upon to develop and maintain relationships within the City, manage all corporate finance and capital structure requirements, acquisition evaluation and negotiations, tax, treasury and financial control and provide effective management information systems throughout the group. Your objective will also be to achieve a full listing for the group within the next two years.

The need is for a dynamic and resourceful individual who will bring further financial skills to a young and energetic management team. Qualified – probably Chartered – and aged in your mid-thirties, you will already have a successful track record and will have demonstrated your imagination, enthusiasm and the ability to drive ideas through to fruition in rapidly changing conditions. Well developed management and communication skills are essential.

Salary will be *c.£45,000* plus comprehensive benefits including management bonus, executive share option scheme, fully expensed executive car, private health insurance and pension scheme.

To indicate your interest in this exciting business opportunity, in the first instance please send full career details *to Steve Gardner, quoting reference 5286* at Stafford Long & Partners Recruitment Ltd., 17-19 Foley Street, London W1P 7LH, or *telephone him on 01-436 7671.*

Stafford Long & PARTNERS

Jonathan Wren Executive

FINANCIAL CONTROLLER QUALIFIED ACCOUNTANT

c£40,000 + Banking Benefits

An international bank is seeking a UK qualified accountant for its London Branch. Responsibilities will embrace M.I.S. statutory accounting plus financial/*credit control participation. The successful applicant will be fully conversant* with bank accounting and the ability to optimise/improve upon existing systems. This is an unusual opportunity to be a very important member of a small professional team.

Please contact Ron Bradley on 01-623 1266.

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

FINANCIAL CONTROLLER SCOTLAND

C £25,000 + Profit Share + Full Relocation

Our client, an autonomous subsidiary backed by the resources of one of the UK's leading service companies, has exciting plans for rapid and profitable growth. As a key member of the executive team you will provide an overview of all financial matters on site and their impact on profitability. You will also manage and develop the financial management information systems with responsibilities ranging from short term operational efficiency to long term planning. To succeed in this competitive environment candidates must be qualified, highly motivated with strong interpersonal skills and have the ability to motivate and manage people in this growing and demanding business.

Contact: *Raymond Clingan, Manager*
Accountancy Executive Appointments
81 St Vincent Street, Glasgow G2 5TF
Tel: 041-332 2484
Evenings or Weekends 041-889 5150

AEA

SENIOR AUDIT POSITIONS ON THE SOUTH COAST

Abbey Life is one of the UK's leading life assurance companies with a reputation for innovation in a rapidly *changing industry. For our Bournemouth Head Office* we now seek two graduate accountants who must be able to demonstrate high quality audit experience. Internal audit is a high profile function offering an excellent entry point for future career progression.

AUDIT MANAGER

c£30,000 plus car and benefits

Promotion has created this outstanding chance to lead an experienced audit team. Responsibilities include the audit of systems under development and operational audits in a highly computerised environment, also with some European exposure.

SENIOR INTERNAL AUDITOR

c£25,000 plus benefits

A vacancy also exists for a senior auditor to join one of the audit teams and we would consider applications from recently qualified accountants.

Salaries are negotiable for both these positions and benefits include mortgage subsidy, non-contributory pension, health cover, and a generous relocation package where applicable. These are outstanding opportunities for ambitious accountants keen to progress their career with a leading force in *financial services.* For more information send your detailed C.V. or telephone Alan Richards, Senior Personnel Officer, Abbey Life Assurance Company Limited, 80 Holdenhurst Road, *Bournemouth BH8 8AL. Telephone: (0202) 407308.*

Abbey Life

APPOINTMENTS WANTED

AVAILABLE MANAGEMENT ACCOUNTANT

Having recently completed a long term assignment with a blue chip company seeks new short/long term assignments. Rates negotiable.

Write Box A1381, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Jonathan Wren Executive

GLOBAL FINANCIAL MARKETS...
to £40,000 + Banking Benefits

As financial conglomerates compete for supremacy in expanding global markets, as equities and bonds are traded instantaneously on screens and money flows around the world faster than ever before, it is essential that participants in these markets have effective financial controls in place.

On behalf of a number of leading international players, we are currently seeking professional accountants with proven expertise in accounting practice, tax and legal matters, capital adequacy and risk management.

These opportunities offer excellent remuneration packages, guaranteed career advancement and high profile roles within leading international investment banks.

Please contact Ann Winder on 01-623 1266.

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

DIRECTOR OF FINANCE

Key Role - Major change environment

London **c £50,000 +benefits**

We seek an individual of rare quality to play a major part in the management team of a substantial service organisation.

The position includes responsibility for a department of some 130 staff, including those in subsidiary operations. The appointee will be heavily involved in implementing major change strategy, particularly in financial systems and reporting, and in information technology.

Applications are invited from qualified accountants, probably aged 35-45, with substantial experience of running a large finance function in industry or commerce or who can demonstrate significant achievements in a "Big 8" accounting firm and evidence of managerial ability.

You must be technically outstanding, capable of dealing with a wide range of issues and management at senior levels, and have a track record of setting and achieving strategic objectives.

In addition you will be resilient and determined with the energy and desire to succeed in effecting change within a large and complex structure. The remuneration package will be based on experience and ability and will not be a limiting factor.

Please forward a detailed resumé including remuneration and daytime telephone number quoting Reference No. 10/667, to Jonathan Williams at Morgan & Banks Search and Selection Plc, 114 St. Martin's Lane, London WC2N 4AZ. Alternatively contact him on 01-240 1040 to arrange an initial meeting.

Morgan & Banks

LONDON WASHINGTON SYDNEY AUCKLAND

Assistant Director of Finance

Planning & Analysis
c.£31,000 tax free
Saudi Arabia

GAMA Services Company, the leading Saudi Arabian Hospital *Management Organisation, is seeking to strengthen its consultancy* team attached to the prestigious Riyadh Al-Kharj Military Hospital Programme. This major hospital project, comprising 2 main hospitals and a series of clinics, is funded directly by the Ministry of Defence and Aviation. The challenge of working in a stimulating, multinational environment and operating effectively within very tight and clearly defined budgets and procedures is indeed enormous.

Responsible to the Director of Finance for the preparation of annual budgets and forecasts, reports on hospital operating costs and variance analysis. The successful candidate should be professionally qualified with 7 years' experience, including financial planning.

The salary quoted includes bonus and is calculated at SR6= £1.

The package, including married status, is clearly worth far in excess of the quoted salary.

For further information on these outstanding opportunities, please write enclosing full career details to: Karen Beardsell at GAMA International, 5th Floor, Woodchester House, 2 Selsdon Way, Isle of Dogs, London E14 9GL. Tel: 01-537 3733 or Rona Wiggins, Suite 4-7, 41-43 Westmorland Road, Newcastle-Upon-Tyne NE1 4KH. Tel: 091-261 2493.

GAMA International Ltd
GAMA

Our client is one of the UK's leading wholesale cash and carry operations. The Company achieved sales in excess of £1 billion in 1988 and is looking to achieve further substantial growth. Plans to significantly increase the already impressive growth rate, together with an increased commitment to accounting resources, has lead to the creation of two new senior positions within the finance function.

Systems Accounting Manager

to £35,000+car+benefits

In this highly visible developmental role you will report to the Financial Director. Your brief will encompass the co-ordination and implementation of a major branch accounting and systems review which will include the assessment of information systems; the development of procedures to monitor and maintain systems control; and assistance in the development of a sophisticated Management Information System.
You will be a qualified accountant, in your early thirties, with strong systems skills. Experience in the wholesale/retail sector would be an advantage. You will possess excellent communication skills with a persuasive but diplomatic style. Ref. 1602.

Project Accountant

to £30,000+car+benefits

As Project Accountant you will report to the Financial Director and will be responsible for establishing the control of major capital development projects. Your brief will also encompass reviewing and reporting on key management statistics; assisting with the development, preparation and review of business plans; and identifying methods for improving the efficiency of principal operations, together with a variety of other ad hoc assignments. Travel throughout the UK is envisaged.
This challenging role requires a recently qualified accountant of the highest calibre. You will possess considerable enthusiasm and energy and the ability to progress rapidly within the organisation. Ref. 1603.

BDO BINDER HAMLYN

Benefits include BUPA, an excellent pension scheme, a share participation scheme and *relocation, if required.*
If you are interested in either of these positions, please reply in confidence, giving concise career and salary details, and a daytime telephone number, to Richard Holland at the address below. Please quote the relevant reference number. You can telephone for an informal discussion on 01-583 3303 or 01-677 3803 (evenings).
BDO Binder Hamlyn Management Consultants 8 St. Bride Street, London EC4A 4DA

Manager – Internal Audit

with emphasis as much on profitability as control

City **at least £30,000 + substantial Banking benefits**

This highly successful, profitable Triple A rated European Bank has seen tremendous growth and diversification in recent years. The time is now right to set up an internal audit function which will concentrate effort on ensuring efficiency and profitability as well as the more orthodox audit work.

We are looking for a Manager to take a key role in establishing the department; professional skills are taken as read – of paramount importance are the personal qualities required to establish close and effective relationships with senior management.

Ideal candidates, probably late twenties/mid thirties, are likely to be Chartered Accountants with a demonstrably successful track record in either a large professional firm or within the Banking industry. Tact and diplomacy feature high in our requirements but, crucially, candidates should have the initiative to take advantage of substantial autonomy.

This is undoubtedly a superb career opportunity and the salary package will be made flexible enough to attract the best.

Please send full career details quoting reference A2350 to **Malcolm Lawson at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF** or alternatively telephone 01-287 7007 during the working day or 0444-73216 in the evenings.

CJH Codd·Johnson·Harris

FINANCIAL CONTROLLER – OPERATIONS

International asset management

City to £35,000 + car, banking benefits and bonus

A challenging new role with scope for job and career growth in a sound and successful team.

Our client is a substantial fund management business active in fixed interest and equity markets and with a reputation for professional excellence. Using advanced information systems and a flexible approach to organisation to meet changing business needs the company plans for further growth. In reviewing its operations the new role of Financial Controller – Operations has been identified.

The primary responsibilities of the functions will be to establish and maintain a strong system of controls and reconciliations within the operations area to ensure the integrity of the group's financial data. A close working relationship with the group's finance department is envisaged.

We are looking for professionally qualified candidates, probably ACA or ACCA, who have a clear understanding of UK and international settlements procedures and regulatory requirements. You must demonstrate competence in staff management as our client is very aware that its staff are its key asset. A practical enthusiastic approach to work and a willingness to adapt to changing business needs are essential.

If you want to take on this challenge, join a successful and ambitious team and share in their success, please write to me, Chris Bennett, quoting reference U3085 enclosing full career details.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

PARTNERSHIP SECRETARY

London solicitors
not less than £60,000

OUR CLIENT is a prestigious, expanding firm with a wide range of corporate and private clients.

As Partnership Secretary, reporting to the Managing Partner, you will have a challenging role — actively contributing to the growth of the practice by reviewing strategic options, planning and controlling all financial activities, and managing the complete administrative function.

The ability to provide significant input regarding the direction of the practice at partners' meetings is essential, necessitating good communication and presentation skills. Further, the position demands a positive approach and strong man-management expertise in leading and directing the administrative and finance departments, comprising some 25 staff. Considerable autonomy will be afforded to the appointee.

Candidates should be qualified accountants, and experience of working at partnership level within a professional firm, would be a distinct advantage.

Please send career details, indicating current salary, to Fiona McMillan, Ref: 3817/FM/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

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BRITISH AIRWAYS

Assistant Corporate Tax Manager

Heathrow **£Highly neg + excellent bens**

An excellent opportunity has arisen for a corporate tax specialist to join the taxation function of this major international company. Working with the Corporate Tax Manager, the successful applicant will handle an interesting and varied range of work. This will include exposure to both UK and International Compliance and Planning matters, as well as specific one off projects.

This role offers a young, ambitious qualified accountant with two years' corporate tax experience the chance to gain valuable commercial exposure.

Candidates should possess strong interpersonal skills and be able to act with initiative and enthusiasm with minimal supervision.

The company has an excellent reputation as an employer and offers an attractive benefits package which includes a performance bonus, profit share and holiday travel opportunities.

For further information regarding this exceptional opportunity, contact Graham King on 01-831 2000 (evenings/weekends on 01-556 6920) or write to him at Michael Page Taxation, 39-41 Parker Street, London WC2B 5LH.

In the first instance, interested parties will receive a detailed job description and company information pack.

MP Michael Page Taxation
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Financial Controller

£40,000 + Car + Bonus + Banking Benefits

Our client is a fast-growing UK merchant and investment banking organisation providing a range of banking and often financial services to customers internationally with offices in London, Europe and North America.

Reporting to the Financial Director and leading a team of Managers, you will be responsible for the financial and management accounting of the company together with the facilities and operation functions. In addition, the job holder will contribute to the further development of highly sophisticated computer systems.

Candidates must be chartered accountants with good inter-personal and management skills preferably gained within the financial services sector.

Commitment and enthusiasm are essential with an ability to be an active member of the company's professional management team.

The attractive remuneration package includes a bonus and usual banking benefits and the position is based in the City.

Please telephone or write enclosing a full curriculum vitae quoting ref. 348 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Success is being in the right place at the right time

MAIDSTONE — COMPETITIVE SALARY + CAR + BENEFITS

If you are a dedicated professional and keen to take responsibility, the right opportunities exist in Coopers & Lybrand, one of the UK's leading firms of Accountants and Management Consultants.

The right place is Maidstone, our fastest-expanding regional office, where a team of 80 offers a complete range of services to the broadest range of clients. The right time is now, as the South East prepares to meet *the challenges of 1992.*

This unique combination of factors offers you a high-profile role, wide management involvement in a friendly office, and excellent career prospects.

Business Services Manager Ref BS

Working with a Senior Manager and the Partners, you will be responsible for building and servicing your own portfolio of clients, as well as contributing to the practice as a whole. Clients will rely on your advice concerning *matters arising from audit and/or business* related issues.

Your background would ideally be Public Practice/ACA in one of the 'big 8', or perhaps an all-rounder from a medium-sized firm.

Audit Manager Ref A

With your own portfolio and a role every bit as demanding as the one described above, you will need to be ACA qualified with a background in Audit.

Both positions require ambition, initiative and self-confidence, backed by at least 3 years' *post-qualification experience, a good* academic record, and proven management ability.

In return you will receive the highly attractive salary and benefits package, including relocation assistance where appropriate, you would expect from an organisation that invests in and trains only the highest-calibre individuals.

Please apply with full CV, quoting the appropriate reference, to Hilary Openshaw at
Coopers & Lybrand,
Plumtree Court,
London EC4A 4HT.
Tel: 01-583 5000.

C&L Coopers & Lybrand

INTERNATIONAL AUDIT

• *A cut above the rest* •

West London — Highly attractive package

The Gillette Company occupies a pre-eminent position in the consumer products market and, with a turnover in excess of \$3.5 billion, is a major international force in the sale of blades and razors, toiletries and writing instruments.

The Company's International Operational Review teams' primary objectives are to identify opportunities to improve profitability and to play a key role in the Company's continued success. An opportunity has arisen for an Internal Audit Manager, based at European HQ in West London, to take charge of such a team, whose geographical responsibility encompasses Europe, Africa and the Middle East. This will involve gaining exposure to a variety of operational audit work within both marketing and manufacturing environments throughout the region.

The role requires a qualified accountant with at least five years' relevant experience. In-depth familiarity with computer systems and a readiness to undertake frequent overseas assignments are essential. Above all, candidates must demonstrate a confident, assertive and independent personality, combined with first class interpersonal skills.

Please write in confidence enclosing full career details, quoting reference, G4545 to Tim Knight.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

International Equities

FINANCIAL CONTROLLER

A subsidiary of one of the world's premier banking groups, our client is one of the City of London's leading financial institutions. Providing a full range of investment banking services, the company is highly regarded and is committed to further development.

In a high profile and key position, the Controller will be the focal point for all financial matters relating to the company's Equities Division. Working closely with and providing support to all areas of the business, he or she *will review, analyse and present essential* information. Part of a well regarded and professional team, the Controller will be expected to make a significant contribution to the development of the Division and its continuing success.

In their early 30s, applicants for this demanding role should be graduate accountants with impressive career records. Practical experience of equity products and their derivatives would be a distinct advantage but the company will consider clearly *outstanding candidates from the accounting* profession, management consultancy or commerce.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/875/F.

c£45,000 + significant benefits

Two Finance Directors

Lincolnshire/Somerset — to £35,000+Bonus+Car

Our client is a successful, expanding UK plc with turnover approaching £700 million and substantial interests in trading and distribution. The Group attributes much of its success to the strength of its operational financial management which is clearly focussed towards total business involvement. Consequently the career development prospects within the Group are excellent.

Following recent acquisitions and reorganisations, Finance Directors are sought by two subsidiary companies within a major trading Division. With current turnovers of £10-20 million, these merchanting companies operate in distinct and separate markets. Working closely with the Managing Directors, each Finance Director will take overall responsibility for finance, systems and administration and be closely involved in the commercial dynamics of the respective businesses to ensure their profitable expansion and development.

Candidates should be qualified accountants, aged 30-35 with a *strong commercial orientation in addition to sound technical* accounting and systems skills. An assertive nature and a willingness to take responsibility are pre-requisites, as are good communication and management skills.

Interested candidates should write enclosing a comprehensive C.V. with daytime telephone number, quoting Ref: 376 to Barry Ollier, BA, ACA, Whitehead Rice Ltd., 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

Financial Controller

Greater Manchester — £26,000 + Car

Our client is a long established public company operating in diverse domestic markets. They are currently embarking on a major expansion programme and seek to recruit a Financial Controller for a newly acquired £4 million turnover manufacturing subsidiary. A recent factory extension and the utilisation of sophisticated CAD techniques demonstrates the company's commitment to future growth.

Reporting to the Managing Director, you will assume full responsibility for finance and administration, with emphasis on the further development of management information systems. Key areas will be to introduce strict financial control in production and stock, as well as in debt collection. As a member of the executive team, you will be required to work closely with the MD, deputising for him in his absence, with direct involvement in the areas of business development and strategic planning.

Candidates, aged 27-32, will be qualified Accountants who can demonstrate a track record of achievement to date, gained in a manufacturing environment. Strong interpersonal skills and a hands-on approach *will be necessary to make an important contribution* to the future success of the company.

Interested applicants should forward their Curriculum Vitae, quoting ref. 4491, to Mark Hurley BSc, ACMA at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Excellent Opportunity for Nigerian National

FINANCE DIRECTOR – DESIGNATE

Lagos — Excellent Remuneration Package

Our client is a major international group involved in the production of branded, fast moving consumer goods.

The Company now wishes to appoint a Finance Director Designate for their multi-site Nigerian operations, which have a turnover in excess of N.500 million. It is anticipated that after an initial training period in London, the individual will transfer to Lagos and assume full Finance Director status within a period of 18 months.

To be suitable for this role you will:

- Be aged 35-45
- Be a graduate, with an accounting qualification
- Possess a strong affinity to systems
- Have ideally worked within a manufacturing environment
- Have gained previous people management experience
- Possess strong inter-personal skills.

In return the company is prepared to offer an excellent remuneration package, which would include a highly competitive salary, free housing, company car and relocation assistance.

Individuals interested in this position should, in the first instance, write to Peter Flamminger, Director at FMS, 14 Cork Street, London W1X 1PE, enclosing a recent resumé and a note of their current salary.

FMS
Search and Selection Specialists
for
Financial Management

DIRECTOR OF FINANCE

salary circa £35,000

Sheffield City Polytechnic is the second largest Polytechnic in the UK with 2,300 staff, 10,000 students and a current annual expenditure level of £40m. Since April we have been operating as an independent Higher Education Corporation and continued growth is a key element of our strategic plan.

We are now seeking a Director of Finance to head up the Finance and Information Technology functions. Reporting to the Principal and as a member of a small, highly motivated executive team committed to driving forward the success of the Polytechnic, the person appointed will provide a strong strategic Financial and IT lead for the continued development of the Polytechnic. This will include accountability for financial systems development, enhancement of EMIS, critical review of financial performance, and capital expenditure appraisal and monitoring.

Candidates should be qualified accountants with sound financial management, strategic planning and IT management experience.

Please apply in writing giving personal and career details with salary history or phone for an application form to Tom Webster, Head of Personnel, Sheffield City Polytechnic, Pond Street, Sheffield S1 2BB, tel. (0742) 720911, ext. 2374.

Sheffield City Polytechnic

We are an equal opportunities employer.

Young Financial Controller International Career

Berkshire — **c£28,000 + Car**

Our client is the European subsidiary of a major US multinational. The Group is a diversified producer and marketer of packaged foods, non-food consumer products, and packaging and industrial products. With turnover in excess of $8 billion the Group holds number one or number two market positions in all six of its strategic growth areas.

Due to internal promotion they now seek to recruit a Financial Controller. As part of a small head office team you will be responsible for the total reporting function of this multisite operation. Specifically you will be responsible for the provision of timely management information, budgeting, planning and forecasting.

The ideal candidate will be a graduate chartered accountant, aged 25-30 with two years' post qualification experience. Well developed communication skills, a strong personal presence and commercial awareness are essential qualities for this demanding role.

Interested applicants should write enclosing a comprehensive curriculum vitae to Gary Watson at Michael Page Finance, 1 Brocas Street, Eton, Berks SL4 6BW quoting ref. TV2207.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Commercial Regional Controller

Maidenhead — **£26-29,000 + Car + Benefits**

As part of an international company employing 20,000 people and operating in over 70 countries, our client has established itself as the UK market leader in its dynamic high technology field.

Reporting to the Financial Controller and with the support of a department of 5, you will be responsible for the total *commercial activity of the division's £25 million major* accounts business. This wide ranging and commercially responsible role will require a powerful blend of technical and commercial skills resulting in the provision of a high quality, professional service to operating managers and household name clients.

In the age range of 28-35, you will be a qualified accountant with exceptional commercial and interpersonal skills together with the desire to work in a high exposure, customer orientated environment. Whereas specific sector experience is not essential, exposure to a 'blue chip' environment would be an obvious advantage.

The salary range indicated above reflects the importance of the role and will not prove a limiting factor for exceptional candidates.

Applicants who believe they can match our client's demands should submit their curriculum vitae to Paul Boardman ACMA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW, quoting ref. 4104.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

GROUP FINANCIAL CONTROLLER

(Director designate)

Gloucestershire — **c.£35,000 + car**

Our client is a highly profitable multi-site subsidiary Group of a dynamic and rapidly expanding UK Plc whose turnover exceeds £300m p.a. A policy of strategic acquisition coupled with significant capital investment in existing operations has resulted in an impressive growth rate for the subsidiary.

The appointment of a Financial Controller is now sought to assist the subsidiary Group Managing Director with the financial management of the business.

Candidates aged 30-40 years should be qualified accountants, preferably with a degree who can demonstrate sound industrial experience, ideally gained in a manufacturing environment. In addition to technical ability, well developed inter-personal skills and commercial acumen are pre-requisites.

The successful candidate will have a sharp focus on profit performance and will be responsible for introducing common accounting systems, and the production of monthly management information. The post requires a practical 'hands on' approach and a need to act on personal initiative. This is regarded as a key position within the senior management team and as such a significant contribution to the broader aspects of the business is expected. The prospect of an early board appointment exists for the right person. The remuneration package comprises a competitive basic salary, plus performance related bonus and a fully expensed company car. Relocation assistance is available where appropriate.

For further information please telephone Helen Conibear on 0222 462463 or send your CV to her at the address shown below.

KPMG Peat Marwick McLintock
Executive Selection
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE

CITY TREASURER

Package Circa £62,000

Bernard Farrar, our present City Treasurer, will be retiring early in 1990 and we are now looking for his successor.

Birmingham has established itself as one of the most progressive cities in the European community through the foresight and achievements of the City Council. We've always been regarded as a progressive authority, due to our pioneering development work and policies that aim to provide a first-class service to our one million citizens. To do this we have 51,000 employees and an annual budget of over £1 billion. Our capital and revenue financing has been crucial to our success and will remain so. This is the context within which we are now looking for a new City Treasurer.

You would have a vital role to play, under the leadership of the Chief Executive, in delivering a comprehensive financial service to support the City Council's developing strategies in the short and medium term. This includes the major changes in management structure which are taking place in the authority in order to give both greater freedom and accountability to service managers.

You will need to be a very senior manager involved in financial planning and strategy in a large, multi-disciplinary organisation.

In return you can expect a renewable fixed term contract, negotiable but likely to be around 5 years, enhanced by attractive benefits that include a generous relocation allowance, accommodation allowances and a subsidised car.

For further information and application form please contact
Denise Cutting or John Slatford,
Directorate of Management and
Personnel, Birmingham City Council,
Snow Hill House, Barwick Street,
Birmingham B3 2PE Tel: 021-235 4238
or 2915, or Fax 021-233 1866.

Closing date: 10th November 1989.

Birmingham City Council
The City Council welcomes applications from all sections of the community, irrespective of race, colour, gender, sexuality or disability.
Job Sharers welcome, no partners necessary.

MEIJBURG & CO.

Tax Lawyers

MEIJBURG & CO., a long established and well-respected firm of tax advisors, a member firm of KPMG, is actively seeking a U.S. Tax Manager or Senior Manager.

Candidates should be qualified to practice before the I.R.S. and must have sound U.S. individual and preferably also corporate technical tax experience. Knowledge of one or more European tax systems would be an advantage.

Salary package is negotiable depending on experience, but will include a company car. Assistance with relocation will be provided if necessary.

Letters of application and C.V.'s should be received by November 15, 1989 and should be addressed to:

Mrs. P.M.R. Robertson, Senior Manager, Meijburg & Co., P.O. Box 70123,
1007 KC AMSTERDAM, The Netherlands.

Commercial Director

Central London — **£45,000 + Car + Benefits**

Our client, a successful international creative services company, itself a subsidiary of a larger group, has a strong reputation for quality and innovation. Under new management, the company identifies significant development potential both in the UK and abroad. As a consequence, a Commercial Director is now sought to provide the commercial focus and financial management for all the company's operations during this time of major change.

Areas of responsibility will include finance, commercial operations, personnel and administration; in addition, you will effectively deputise for the Managing Director. This role will provide a considerable challenge in this fast moving and forward thinking business.

You should be an ambitious qualified accountant, aged 30-40, with a strong commercial awareness, and a track record of success within a people-oriented business. You could well have moved out of a purely financial role already, and be looking towards general management as a career objective.

Interested applicants should write enclosing a CV and daytime telephone number, quoting Ref 374 to Barry Ollier BA, ACA, Whitehead Rice Ltd., 43 Welbeck Street, London W1M 7PG. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

Corporate Financial Director

Manchester — **£ neg. + car + bonus**

AMEC plc is a vigorous and highly successful construction, engineering and development Group with extensive world-wide interests. The Group's strategy of having a broad and balanced range of activities has allowed for strong and sustained growth, both organically and through acquisition, and future prospects are excellent.

Our client is AMEC Projects Limited, a market leader in the project management sector. The company is currently dealing with a number of prestigious projects throughout the UK, and has ambitious plans for both domestic and overseas growth.

The Corporate Financial Director, working closely with the Managing Director, will play an important role in the achievement of corporate objectives, assuming specific responsibility for the finance function and providing a commercial input to the decision making process.

You should be a qualified Accountant, aged mid to late 30's. Experience of the construction industry would be an advantage, possibly in an international context. Your background to date should indicate continued career development and sound technical skills, although well developed interpersonal and man management abilities are equally important.

The company offers a very attractive salary and benefits package, together with generous relocation assistance where appropriate.

Prospects for career development with the AMEC Group are outstanding. For further information, please write to: **Brian Marren, Douglas Llambias Associates, Brook House, 77 Fountain Street, Manchester M2 2EE.**

AMEC Projects

DOUGLAS LLAMBIAS

BIRMINGHAM 021 233 4421 · DUBLIN 608620 · EDINBURGH 031-225 7744 · GLASGOW 041 226 3101 · LONDON 01-836 9501 · MANCHESTER 061-236 1553

FINANCIAL CONTROLLER

With Commercial Flair

West End — **£35,000 + Car**

Our client, part of an international group, operating within the direct marketing/publishing sector has experienced significant growth since its inception two years ago. To help ensure this continued success, they want to appoint a *Financial Controller to enhance and manage the* finance function.

Reporting directly to the Managing Director, and with total responsibility for all statutory and management reporting, you will be expected to take an active role in the development of the company. This will involve considerable interpretation of the figures in addition to the management of their computation to maximise the performance of the company.

To take advantage of this challenge, you should be an ACA or ACCA with at least three years post qualification experience. This should have been gained in a commercial environment where your actions have had a direct effect on the performance of the business. However, of paramount importance is *your ability to be innovative and flexible within a* small but dynamic organisation. With a hands-on approach to management and good interpersonal skills, this is an excellent opportunity to get involved with the commercial aspects of finance.

If writing your own job description appeals to you, please send your CV to our advising consultant, Fiona Davidson, at Seer Selection Ltd, Marcol House, 293 Regent Street, London W1R 7PD. Alternatively, please telephone her on 01-631 0479 (days) or 01-470 0534 (evenings and weekends).

SEER
Seer Selection
RECRUITMENT CONSULTANTS

Finance Director (Designate)

Central London

c.£55,000 + car and benefits

Our client is a quoted International conglomerate, with a turnover in excess of £100m. Employing over one thousand people in the UK, Europe and the USA, the group's operations range from specialist engineering to the import and distribution of consumer commodities.

As a precursor to the retirement of the current Finance Director, the company wish to appoint a Finance Director (Designate). Working as part of a small executive team, the Director will be responsible for acquisitions, managing the group's financial function, maintaining and developing strong relationships with City institutions and liaising with external advisors.

Likely to be in their forties, candidates will be qualified Chartered Accountants who can demonstrate a significant career record to date. Experience must include acquisitions, management of a corporate financial function and liaising with City institutions. Candidates should be highly motivated and possess a strong and confident personality yet be able to work as part of a small team. They must be quick to learn and be able to advise on a range of technical issues.

Please send full personal and career details in confidence to *Mark Spickett, Executive Selection Group, Deloitte Haskins & Sells,* PO Box 198, 26 Old Bailey, London EC4M 7PL, quoting reference 5321/FT on both envelope and letter.

Deloitte Haskins+Sells
EXECUTIVE SELECTION

Senior Opportunities in Accounting

Gulf — **Attractive Tax Free Salaries + Benefits**

Qatar General Petroleum Corporation (Offshore), a state-owned corporation engaged in oil and gas exploration and production, offers the following attractive opportunities in Qatar:

Controller - Financial Accounts

Reporting to the Finance Manager, you will be responsible for the control of the company's financial accounts and all payments.

This will include management of funding requirements and the settlement of supplier accounts and disbursement of salaries. Ref. 1299/6

Controller - Accounting Services

You will report to the Finance Manager and be responsible for providing professional and technical support on all financial and accounting matters.

The role will involve participation in the planning and development of computerised accounting systems, the provision of expert advice to operating line management, and ensuring that staff training requirements are met. Ref. 1299/7

For either appointment, you will need to be a Chartered or Certified Accountant with around 10 years' experience in financial and information systems, including some exposure to control and auditing requirements. A background within an oil or gas exploration and production company is desirable.

Both positions are in the senior staff cadre of the Corporation and will attract a highly competitive remuneration package. This will include tax-free salary, free accommodation, annual leave with family passages, education and recreation facilities.

Please write with full career and salary details quoting the appropriate reference number to: John Strang, MSL International (UK) Limited, 32 Aybrook Street, London W1M 3JL.

QGPC


Financial Director

Create your own success story

Attractive Negotiable Package — **London**

Walker Books Ltd, founded in 1979, has grown rapidly to become brand leader in the childrens' book market. In a decade which has not favoured the publishing industry the Company's growth and profitability record is enviable. Turnover stands at £10.5 million and will rise to £12.5 million in the current financial year. Sales are worldwide with a strong export market, and in the UK the Company is the sole supplier of childrens' books to Sainsbury's.

The Company's success has prompted the need for this new appointment. Reporting to the Chairman, you will provide accurate and timely financial information to enable him to make informed strategic decisions. This will be achieved through the intelligent use of both M.I.S. and the existing well regarded accounts department. A key initial task will be the review and enhancement of computer systems. This is an ideal opportunity to demonstrate your value to a young expanding Company and affirm your position as a key member of the top management team.

You are a qualified Accountant, probably in your late twenties to late thirties, with significant relevant experience. You are likely to have experience in the publishing industry and must have an understanding of royalty payments systems. Commercial awareness and a hands-on approach are essential.

Salary is for negotiation in a context where excellence is amply rewarded. Benefits include a car, pension scheme, PPP, free lunches and, in the foreseeable future, a company creche.

Please write with full career details to Lesley Gifford quoting ref. B20342. MSL International (UK) Ltd., 32 Aybrook Street, London W1M 3JL.

MSL International

Finance Director

c.£30,000 + Benefits — **North Yorkshire**

Our client, a successful and rapidly expanding £18 million turnover company with an enviable reputation for added value computer systems solutions to meet users needs, is a significant subsidiary of a developing UK plc. The Company provides corporate and professional users with a total solution to their computing needs selling hardware, software and providing service backup from four centres throughout the UK.

Reporting to the Managing Director and leading an established team, you will provide business flair and practical financial leadership to the closely knit and informal Board. Sound professional experience gained across both large and small companies must be complemented by initiative and well developed interpersonal skills to set and achieve further improvements within this progressive company.

Aged in your 30's or early 40's, you will be a qualified Chartered Accountant, with relevant senior financial experience in a highly commercial environment. You will have developed effective systems and financial controls, have operated to tight deadlines and be familiar in providing proactive business data in support of strategic and business planning. This is an excellent career opportunity with significant potential for those seeking broader business exposure.

The package comprises an attractive salary plus bonus, fully expensed company car and other appropriate benefits, including relocation assistance.

Please write will career details, including salary - in confidence - to Mike Holmes, reference 71088, MSL International (UK) Ltd., Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

MSL International

Profit Centre Responsibilities For Young ACMA/ACCA

Factory Financial Controller

Fast Moving Consumer Goods Manufacturing

c. £27,000 + car — **North West**

Part of a highly successful major international food company, our client is continuing to build its £2000 million turnover UK business. New factory facilities in the North West employ 350 and current turnover is £22 million. Output and productivity are rising strongly in support of sales and marketing initiatives.

An experienced young Accountant, you will lead a team of 11 and be responsible for all aspects of financial management and planning, including computer systems, management information and standard costing at this exciting and responsive high volume site.

As a key member of the senior factory team, reporting to the General Manager, you will probably be in your 30's, a qualified ACMA/ACCA, with a successful track record in manufacturing accounting and with computer systems experience. You will be a committed and ambitious manager, able to contribute to the broad issues of running the business. Good communications skills and an enthusiastic and progressive attitude are needed. Career prospects within the group are excellent.

Salary is negotiable as shown plus company car and usual executive benefits.

Please write with full career details, including salary - in confidence - to: David Mather, Ref. 31077, MSL International (UK) Limited, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

MSL International

Financial Director

Change management role for a dynamic achiever

To £30,000 + car + substantial bonus — **South Coast**

Our client is an autonomous subsidiary of a major international manufacturing group. The new Managing Director has *initiated a programme of radical change* aimed at revitalising operations and transforming the company from technology led to market focused.

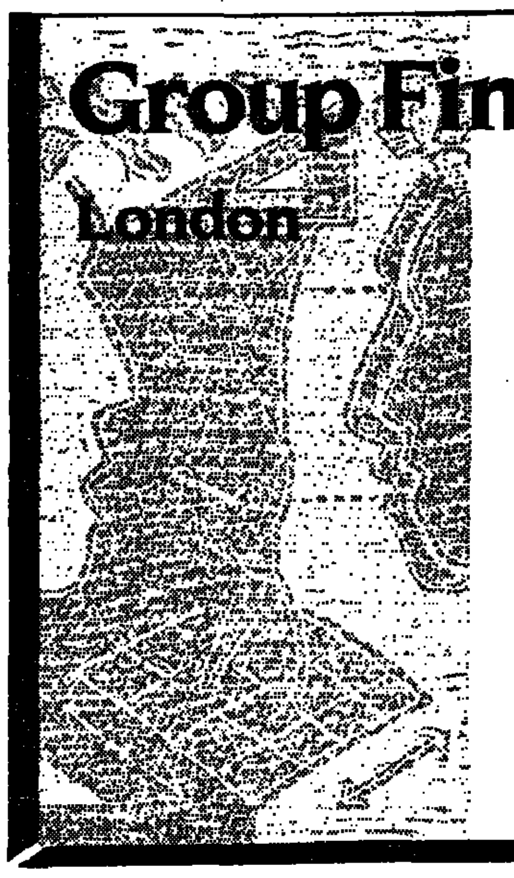
Rapid growth is planned, both organic and via acquisition, from the current £20m turnover to a position of European leadership and a cohesive management team is being developed to ensure effective implementation.

An energetic, results-oriented Financial Director is needed to play a key hands-on role in establishing a sharper commercial orientation. Short term priorities are to introduce effective information systems and to improve financial management through strong leadership of the accounts group. Long term there is a vital strategic role in business planning.

You will be a qualified accountant with a degree level education and significant experience in a manufacturing environment. Aged around 30, you will be highly computer literate, committed to teamwork and your personal qualities will include resilience, maturity, strength of character and the ability to produce results during a period of rapid change. You will be based at the Company's modern, purpose built facility on the South Coast.

Please write in confidence, with full CV to David Thackeray, quoting ref: 96013, MSL International (UK) Limited, Pilgrim House, 2/6 William Street, Windsor, Berkshire SL4 OBA.

MSL International



Group Financial Controller

London

c.£40,000 plus car and benefits

Our client, a dynamic plc, is the largest Group in its field, both in the UK and the US. This position has been achieved largely by an aggressive and highly successful acquisition policy over the last five years. However the market is very fragmented, and further significant growth is planned both in the UK and overseas. Turnover is currently about £150m, and extremely profitable.

The recent growth has prompted the need to recruit a Group Financial Controller. *Reporting to the Group Finance Director, the appointee will be* responsible for Group Reporting, Treasury Management, Taxation, and Financial Planning and Control.

You should be a qualified accountant in your thirties, with multinational experience and demonstrable career success to date. You must be able to work effectively in a fast moving, highly acquisitive environment, and have a "hands on" approach.

If you think you are the self-starter we are seeking, please write to *Geoffrey Rutland, FCA, ATII., at the address below, quoting* the reference 1604, and giving concise career and salary details and a daytime telephone number, or phone him on 01-583 3303 (office) or 01-878 8395 (home).

BDO BINDER HAMLYN

BDO Binder Hamlyn Management Consultants
8 St. Bride Street, London EC4A 4DA

ACCOUNTS ASSISTANT

Required by Chartered Accountants for inhouse acounts department must be familiar with Bought and Sales Ledger routines and Accounts preparation to Trial Balance. Computer experienced preferred. Salary according to age and experience. Please write with full C.V. to:

Wilder Coe Chartered Accountants
233-237 Old Marylebone Road, London NW1 5QT

ASSISTANT FINANCE OFFICER

EGYPT

The multinational force and observers (MFO) an independent international organization responsible for monitoring compliance with the terms and conditions of the Egyptian-Israeli peace treaty, is seeking an Assistant Finance Officer for its force headquarters in Egypt. An ideal opportunity for a young dynamic individual with an education in accounting or general business studies, and 2-5 years experience working in the financial department of a company. The ideal candidate will be experienced in bookkeeping, invoice review, disbursements & collection systems, personal computers and standard software application packages. Must also possess the ability to work with people from various linguistic and cultural backgrounds, and be willing to live and work in a comfortable but isolated environment.

One year, renewable, contract being offered for unaccompanied tour of duty in El Gorah, Sinai, Egypt. Attractive salary and benefits package.

Please send resume by fax to MFO headquarters in Rome Italy 39-6-592-0692 or by post to New York addressed to Chief of Personnel, American Embassy/MFO, APO New York 09794-0007.

Group Financial Accounting Manager

Paris c. 350,000 Francs

The group is one of the fastest growing French multinationals (turnover £2 billion) with manufacturing subsidiaries in the USA and throughout Europe. Following a period of rapid expansion through acquisition, the requirement for a British trained Group Financial Accounting Manager has arisen.

Reporting to the Head of Group Accounting, his responsibilities will include liaison with divisions and subsidiaries (systems, deadlines, internal control), the development of standard reporting procedures, and other assignments. Candidates are likely to be a Supervisor or Manager with a major international firm of auditors. A good basic knowledge of French is desirable. For the successful candidate the position will lead to a highly motivating international career in line management.

Please write to the Executive Selection Director, Nicholas Angell Limited, 11 Waterloo Place, London SW1Y 4AU.

LEGAL APPOINTMENTS APPEAR EVERY MONDAY

FOR FURTHER INFORMATION CONTACT
01 873 3000

NICHOLAS BAKER X3456
DEIDRE McCARTHY X3694

European Financial Director

Property Development

£80,000 + bonus + expatriate benefits — Holland

First class entrepreneurial opportunity for a talented finance professional to play a major role in the development of a fast growing European property development business.

THE COMPANY

- Highly regarded and successful property development business supported by funding of £200 million.
- Planning to accelerate growth of European activities through existing and new offices.
- Public quotation scheduled for 1990.

THE POSITION

- Responsible to Managing Director for financial strategy, financial and administrative management of European operations.
- Develop effective infrastructure in each country to support property acquisition and development activities.
- Full participation in overall business strategy.

QUALIFICATIONS

- Commercially minded MBA/qualified accountant, aged 32-40, with successful track record of financial management in a European operation.
- Excellent leadership, administrative and communication skills.
- Self starter, creative and highly disciplined.
- Fluency in at least two European languages.

THE REWARDS

- Attractive base salary, bonus scheme and expatriate benefits.
- Entrepreneurial opportunity with excellent prospects for career development.

Please reply in writing, enclosing full cv,
Reference H9921
54 Jermyn Street,
London SW1Y 6LX.

N·B SELECTION LTD

LONDON · 01-493 3383
BIRMINGHAM · 021-233 4656 · GLASGOW · 041-204 4334
SLOUGH · 0753 694844 · HONG KONG · (HK) 5 217133

Group Financial Controller

Major International Plc

c.£55/60,000 — Central London

Very challenging, senior position in a fast growing, British plc with major international interests.

THE COMPANY

- Exciting, dynamic and still entrepreneurial despite a turnover in the region of £1.5bn.
- World-wide interests include significant American, European, Far Eastern and Middle East activities.
- Constant evolution and growth, both organic and by acquisition in several sound industrial sectors.

THE POSITION

- Financial control of all the Group's UK and international subsidiaries. Line management responsibility for financial control, systems and insurance managers and head office teams.
- Close relationship with financial directors of divisions. Reporting to Group Finance Director. Frequent contact with Chairman and Board members.
- Motivation and direction of people from many business and national cultures.

QUALIFICATIONS

- Essential: Qualified Accountant with senior financial control experience in an international group. Able to analyse company operations and improve their profitability.
- Personal qualities are key. Tough, tactful, articulate, extrovert with a sense of humour. Aged 35-45.
- Knowledge of the City and corporate finance.

THE REWARDS

- An excellent base salary; eligible for stock options, performance related bonus and other benefits.
- An exceptionally stimulating job with real career opportunities.

Please reply in writing, enclosing full cv,
Reference H4239
54 Jermyn Street,
London SW1Y 6LX.

N·B SELECTION LTD

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BIRMINGHAM · 021-233 4656 · GLASGOW · 041-204 4334
SLOUGH · 0753 694844 · HONG KONG · (HK) 5 217133

GROUP FINANCIAL CONTROLLER – Working for Sport

We offer, and expect, the best of both worlds

First and foremost, you will be required to ensure that our day-to-day headquarters accounting functions, which are the key to the organisation's efficiency, are sustained and developed. Your professional qualifications and management experience will enable you to lead a department, train and develop staff, advise on the implementation of systems and controls, be involved with the preparation of reports etc. and provide an advisory/supervisory service to 10 regional offices.

From this background of practical responsibilities you will, if you have not already done so, be encouraged to develop a wider vision. Like many other organisations, we increasingly expect to adapt to an environment wherein highly desirable social objectives are seen to be entirely compatible with the need to maximise resources and generate independent income.

Your awareness of commercial realities and appreciation of longer-term financial management strategy can only be enhanced by the contribution which you are able to make to this process. It is, as we have already indicated, the best of both worlds.

There are genuine opportunities for promotion and career advancement for the right person. An initial salary of up to £26,500 is offered together with an attractive benefits package which includes relocation expenses of up to £5,000.

Please send brief career details to Ms T. Hindmarsh, Personnel Officer, 16 Upper Woburn Place, London WC1H 0QP.

FINANCIAL DIRECTOR DESIGNATE

Cambridge
c.£30,000 + car

SPALDING IS A leading worldwide supplier of sporting goods with operations in 9 countries and with 8 consecutive years of record growth and profits. Worldwide, it enjoys market leadership in golf ball and basketball categories and leads the industry with new product introduction and commitment to research and development. Its UK operations provide an opportunity to become part of a growing division of Spalding.

Reporting to the Managing Director, you will have overall control of all financial matters and assist in developing Spalding's business strategies and activities necessary to achieve its profitability and growth objectives for the UK.

You will be responsible for the preparation of business plans, budgets, forecasts and management information systems while continuing to monitor divisional progress. This position requires a full understanding of US accounting principles and the ability to liaise effectively with other European divisions and US management.

We are searching for a highly motivated qualified accountant, aged 28-45, with a hands-on management style. Candidates should have strong communication and management skills, and the ability to achieve results.

In addition to a competitive salary potential and car, this position is eligible to participate in a lucrative bonus scheme. If you are interested in being part of a management team responsible for directing Spalding's growth in the UK, please send full cv indicating current salary, to Fiona McMillan, Ref: 3808/FM/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE.

SPALDING®

PA Consulting Group

Creating Business Advantage

Executive Recruitment · Human Resource Consultancy · Advertising and Communications

Finance Director

Sussex Coast
c.£35,000 + Bonus + Car

A key role in a new management team.

Specialising in the manufacture of Defence Equipment, our client is an established UK organisation with an international client base.

To ensure and significantly enhance their growth and performance they are entering an exciting, challenging phase of re-organisation. Central to this is the recruitment of an ambitious and proactive Finance Director who will complete the dynamic new management team.

As a qualified professional with experience gained in a manufacturing accounting environment with emphasis on costing, you should possess effective interpersonal, communication and leadership skills. The ability to define and implement recommendations must be supported by resilience and sound business acumen. Knowledge of MOD contracts is desirable.

In addition to a substantial remuneration package, which includes share options, bonus and company car our client offers a real career opportunity.

Please write with CV and full description of responsibilities and achievements to date to:

Tony Riley, Barnett Consulting Group Ltd., Airwork House, 35 Piccadilly, London W1V 9PB.

Finance Manager

Cheshire — **£25,000 + Car**

Our client is a rapidly expanding £12 million turnover manufacturing subsidiary of a major US corporation and is the Head Office for the European division. As a market leader in its field, the company has an enviable reputation for innovation and high quality products.

Internal promotion has led to the requirement for a Finance Manager who, reporting to the Managing Director, will assume full responsibility for finance and information technology. Particular emphasis will be on business planning and forecasting and a newly implemented computer network will require significant input to develop MRP and related systems. As a key member of the management team, the individual will be expected to make an important contribution to the commercial direction of the business.

Candidates, aged 30+, will be qualified Accountants, who can combine excellent personal skills with a strong technical background gained in manufacturing and must possess the drive and energy to succeed in a dynamic and challenging environment. Future prospects within the Group are excellent.

Interested applicants should forward their Curriculum Vitae quoting ref. 4492 to Mark Hurley BSc, ACMA at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

COMMERCIAL & BUSINESS DEVELOPMENT MANAGER

N.W. LONDON C£32K+BONUS+CAR

This is a unique career opportunity to join one of the largest MBO's in the UK in a role where there is freedom to impact upon key decision-making.

Reedpack is a £900m turnover group of 9 companies with 90 sites in 4 countries. Within the office supplies, paper and packaging markets, Reedpack is an undisputed leader. Reporting to the Group Finance Director and working closely with the C.E. and senior group executives, the brief will cover acquisition evaluation, capital investment appraisal and business strategy. Planning for flotation, and the period beyond, will be a major project in its own right. Assessment of these longer term requirements will be balanced by the need to be highly pro-active in dealing with a diversity of current business issues, both at group and individual company level.

The role would ideally suit an MBA or Chartered Accountant, aged late 20's - early 30's with some big company exposure and a fast track career record. The commercial emphasis of the position should develop the ambitious individual into a line management role within a couple of years.

Please write, enclosing full CV to Linda Helme, Head of Management Development, Reedpack Limited, Cloisters House, High Street, Rickmansworth, Herts WD3 1BG. Tel: (0923) 771121.

REEDPACK LIMITED

APPOINTMENTS ADVERTISING

Appears every Monday, Wednesday and Thursday

for further information call 01-873 3000
Nicholas Baker ext 3351
Deirdre McCarthy ext 4177
Elizabeth Arthur ext 3694

Financial Directors

To secure the best appointments at senior level needs more than good advice, accurate career objectives and succinct presentation.

InterExec SMI not only provides career advice to successful executives but also retains the unique facility of our subsidiary company InterMex to bridge the critical gap between counselling and the right job.

InterMex maintains a unique data base of some 6,000 unadvertised vacancies per annum, providing the only confidential Inplacement® Service.

If you are considering a move or need a new challenge then telephone (01-930 5041) for an exploratory meeting without obligation.

InterExec SMI Plc
Landseer House, 19 Charing Cross Road,
LONDON WC2H 0ES.

The service offered by InterMex is free and can be used independently of the Counselling Service.

Senior Financial Managers

CONTROLLER

SAUDI ARABIA

c.$55,000 Tax Free

CLOROX

The Clorox Company is a major US multinational whose principal activity is the development, manufacture and marketing of fast moving consumer packaged goods. With a worldwide turnover in excess of $1.3 billion, the Company is continually expanding and seeks a qualified accountant to take up a key role based in Jeddah, for two joint-venture companies. Reporting to the local corporate finance manager and with direct liaison to senior management in the UK, the Controller will have responsibility for all finance and accounting issues at joint-venture level as well as at the group level for consolidation purposes.

At joint-venture level, the controller will design and implement action-oriented management reporting supported by detailed commentary and analysis to enable local management to take sound business decisions. Local staff will need training in these systems. Other responsibilities will include building upon and further developing synergy between both joint-venture operations.

At group level, the Controller will develop consolidated management reporting, budgetary and financial planning on an annual and quarterly basis as well as the identification of business opportunities, cost saving exercises and capital investment evaluations. He will also provide analytical support to the central Manufacturing and Marketing functions.

Previous management experience and a sound knowledge of mini/PC-based systems and staff development are essential qualities. The successful candidate will have previously worked outside the UK.

In addition to a competitive remuneration package, the company will provide high quality accommodation as well as frequent return trips to the UK. The appointment will be made on a contract basis with one of the joint-venture companies.

*For further details, contact **Michael Herst** or **James Cozens** on **01-629 4463** day, **0256 469940** (evenings and weekends) or send an appropriate curriculum vitae to the address below quoting Ref: JC005.*

HARRISON WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.

GROUP FINANCIAL ACCOUNTING MANAGER

Cambs/Lincs Border — £35,000 + car + bonus

This high profile British public group has achieved a position at the forefront of its consumer goods markets through innovation, professionalism and a commitment to the highest standards of quality and efficiency. With a turnover of £500m and a successful record of profit growth, it has a policy of continuing expansion through acquisition and investment for organic growth.

The key role of Group Financial Accounting Manager has been created as part of a restructuring of the head office finance function, in order to keep pace with the growth of the business. Reporting to to the Financial Controller and managing twelve staff, the appointee will be expected to build up a thorough understanding of the business through close liaison with the senior operational management. The brief is not simply to control the normal group reporting function, but also to oversee the financial integration of newly acquired companies, to improve the group's usage of its accounting systems, to deal with technical accounting developments and to train and develop the accounting team.

Candidates should be qualified accountants probably aged 28-35. They should have built up sound technical skills and financial reporting experience, ideally in a head office or line accounting role, though managers from a leading accountancy practice will not be ruled out. Strong interpersonal skills are particularly important as this is not an ivory tower "number crunching" role. You should be able to establish your commercial credibility with operational managers and bring the best out of a talented team of subordinates.

It is an ideal entry point for an ambitious accountant into a progressive expanding group and it should lead to a senior line role in an operating company in due course. A generous relocation package to this attractive rural location will be available if appropriate.

Please reply in confidence, giving concise career, personal and salary details to Paul Catvosso, quoting Ref: L463.

Egor Executive Selection,
58 St. James's Street
London SW1A 1LD (01-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain · Sweden

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Financial Director

Computer Services
South East,
Package To £50,000, Car, Executive Benefits

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Its plans for the future are ambitious, encompassing an acquisition programme both in the UK and overseas, and there is a strong possibility of flotation within the next 2 years.

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 27 1989

INSIDE

Final blow to creditors' hopes

The hopes of bank and broker creditors of the insolvent International Tin Council were dealt a final blow yesterday when the UK House of Lords ruled that the council's members were not liable for its debts. The five Law Lords' 48-page ruling in favour of the members – the UK, 22 other states and the European Community – follows a hearing that lasted nearly six weeks last June and July. Page 40

Market shows signs of nerves

Investors do not often pay Socialist governments the compliment of being nervous before elections. In Spain's case, however, Mr Felipe Gonzalez' Socialist administration has become so closely identified with the country's economic success that the prospect of its losing its absolute majority in parliament on Sunday is playing a large part in the Madrid bolsa's recent limp behaviour. Page 52

One bright spot

The Congolese economy is in such bad shape that its government could be forgiven for grasping at straws. But the country's rapidly expanding oil industry is more than a forlorn hope. Production is scheduled to increase by more than 10 per cent this year, to reach a record 156,000 barrels a day. Moreover, the discovery of significant reserves by Chicago-based Amoco bodes well for the next decade. Howard Schissel reports. Page 40

Giving records a spin

PHILIPS

Dutch electronics group Philips plans to spin off about 20 per cent of Polygram, its record company subsidiary, in an international equity offer. The company disclosed that it now owned all of Polygram, and would seek a listing for the shares on the New York and Amsterdam stock exchanges. Laura Raun reports. Page 39

Symbolic start

Trading in the new Ecu deposit future got off to a modest start on the London International Financial Futures Exchange yesterday – in the FT-SE futures pit. There was, writes Katharine Campbell, a certain symbolism in the fact that the contract that marks for Liffe the "second plank" in its European strategy should find a home by brushing aside a domestic product. For, it is at least partly because of the overwhelming – and unexpected – success of its foray into D-Mark contracts that the exchange has so dramatically outgrown the confines of the Royal Exchange. So locating a position on the floor for a new contract is a headache. Page 32

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Chief price changes yesterday

FRANKFURT (DM)						
Rises				Du Dietic	2170	+ 182.2
Bown Boveri	684	+	9	Sat	1500	+ 161.7
Deutsche Bank	657	+	12	**Falls**		
Douglas Hldb	716.5	+	25.5	Esso	444	− 33.3
Falls				Fives Lill	320	− 37.1
BMW	524	−	5	Peliet	610	− 37.5
Linthelt	580	−	10	**TOKYO (Yen)**		
Ost-Chemie	700	−	20	**Rises**		
NEW YORK ($)				Showa Mfg	1400	+ 130
Rises				Sumitomo Metal	1030	+ 130
Alcoa	13¾	+	3¼	Sumitomo Trust	2840	+ 220
La Jolla				Unitec	2000	+ 220
Falls				**Falls**		
Compaq Compu	99⅞	−	9	Tokyo Tourist	1880	− 160
Dresser Inds	37⅛	−	1¼	Yoshitomo Pharm		
Intel	31⅝	−	1¾		1880	− 160
Motorola	55	−	3			
Schlumberger	41½	−	1⅞			
PARIS (FFr)						
Rises						
BP France	135	+	9.8			
New York prices at 12.30.						
LONDON (Pence)						
Rises				GKN	371	− 13
Coates Bros	436	+	30	ICI	1097	− 73
Hambros Bk	218	+	5	Lloyds Bk	348	− 10
Jaguar	720	+	5	McCarthy & St	78	− 18
Morgan Grenfell	430	+	38	Mowlem (J)	334	− 15
Refuge	900	+	5	Polly Peck	332	− 12
Reuters	900	+	5½	RHM	428	− 4
STC	276	+	2	Sainsbury (J)	257	− 8
Steel Burrill	259	+	8	Trafalgar Hse	328	− 22
Falls				Unilever	635	− 5
Brit Aero	567	−	15			

Bad ICI results send London market falling

By Clare Pearson

IMPERIAL Chemical Industries, Britain's biggest chemicals company, sent shudders through the London stock market yesterday when it announced worse-than-expected third quarter results.

ICI, widely viewed as a barometer of the UK economy, saw its shares drop 73p to 1097p in heavy selling after it announced quarterly pre-tax profits of £306m ($490m), 12 per cent lower than last time. The nine-month total comes to £1.23bn, a 9 per cent advance on £1.13bn.

In thin trading, ICI's results announcement triggered a drop in the London equity market overall, even ahead of the lower opening in New York during the afternoon.

Sir Denys Henderson, chairman, said the third quarter results reflected "not only the normal seasonality but also some softening of demand and margins in a number of markets." Nevertheless, he said 1989 should be a "reasonable year" for the company. Chemicals analysts had expected a broadly flat third quarter result from ICI compared with the £347m achieved in the same period last year.

The split of profits also dismayed the market. Bulk products such as petrochemicals and plastics, where a downturn has long been expected, continued to perform well. But there were signs of softening demand in other product areas, and specific problems in fertilisers.

ICI said it planned to cut the UK sales force and rationalise production at the fertilisers business, which had fallen into loss again after trading profitably during the first six months. This measure, which follows similar steps last year, will involve the loss of about 350 jobs in the UK.

The figures also showed ICI feeling the effects of the downturn in UK consumer spending, and suffering from areas of weakness in the US economy.

Analysts downgraded forecasts for full-year pre-tax profits by some £100m to around £1.155bn, against £1.47bn last year.

As part of the industrial products division's nine-month operating profits of £623m (£546m), ICI's central petrochemicals and plastics activities accounted for £322m (£289m).

Thanks to an improvement in agrochemicals and plant breeding, the agricultural division put £140m (£114m) to operating profits. Fertilisers made a loss of £12,000 (£22,000).

Consumer and speciality products put in £439m (£443m).

Lex, Page 26; Details, Page 33

GM, Chrysler and Ford all suffer as poor market bites

By Roderick Oram in New York

DETROIT'S big three vehicle makers turned in sharply lower third quarter profits yesterday reflecting problems in the US market from declining car sales, increased competition from Japanese plants in the US and heavy price cutting.

Ford Motor admitted that its core US vehicle-making operations ran at a loss in the period. General Motors and Chrysler were less forthcoming but analysts believed they were just profitable at best. The stock market had expected such results.

Ford and GM benefited, however, from improved automotive results abroad, particularly in Europe. Both companies were bolstered by their non-automotive businesses or, in Chrysler's case, by a large gain from the sale of some of its stake in Mitsubishi Motors of Japan.

Ford and Chrysler were pessimistic about the outlook for their automotive businesses while General Motors stressed it had increased its US market share and was improving manufacturing efficiency.

GM's third quarter net fell to $516.8m or 72 cents per common share, from $859.2m or $1.23 a year earlier. Around $494m of the net income came from EDS, GM Hughes and GMAC – GM's computer, electronics and financing arms. Sales edged ahead to $28.8bn from $28.2bn.

Ford's third quarter net income dropped to $477.1m, or $1.08 a share, from $858.3m, or $1.78. Sales slipped to $20.24bn from $20.4bn.

Chrysler turned in net income for the quarter of $331m or $1.42 a share, including a net gain of $309m from the sale of its Mitsubishi stake. A year earlier it earned $113m or 50 cents. Sales were flat at $7.88bn.

"It's been a tough quarter," said Mr Lee Iacocca, Chrysler's chairman. "Our earnings have been squeezed by a softer retail market and unprecedented sales incentive costs. We expect these extreme cost pressures to continue in the fourth quarter and beyond."

Analysts estimate the industry spent some $2.4bn in the quarter on cash rebates and other incentives, which worked out at some $850 per vehicle sold. GM has been pushing even harder, chalking up average incentives of $1,225 per vehicle in the second quarter alone.

Overall in the third quarter, US car and light truck sales fell 3 per cent even with the help of the incentives. Struggling to work off large inventories, production fell. In GM's case output fell to the lowest third quarter volume in eight years. Ford said yesterday that fourth quarter output would be down 10 per cent from 1988.

Lee Iacocca: earnings squeezed by softer retail market

Meanwhile, output from plants owned wholly by Japanese companies or in joint venture with US partners accounted for 12.3 per cent of third quarter production, up from 8.5 per cent a year earlier.

GM's worldwide factory sales of vehicles slipped 3.5 per cent to 1.7m units, despite the contribution of a 12 per cent increase in overseas sales to 573,000 cars and trucks. Sales by GM's US dealers rose to 1.4m from 1.3m as they reduced their stocks with the help of the incentives.

Ford said its US automotive operations lost $37m in the quarter, against a profit of $341m a year earlier. Automotive profits abroad were $324m, up $1m. Its US factory car and truck sales were 725,472 units against 802,610 for the quarter. Abroad they were 559,482, against 541,714.

Morgan Grenfell 'cool' to Banque Indosuez's invitation to merge

By David Barchard in London and George Graham in Paris

MORGAN GRENFELL, the City of London merchant bank, yesterday responded coolly to calls by Banque Indosuez, a part of Groupe Suez, one of Western Europe's most powerful industrial and financial conglomerates, to establish a partnership in European merchant banking.

Earlier in the day, Banque Indosuez, which is the ninth largest bank in France, announced that it was seeking to buy the 20.4 per cent stake in Morgan Grenfell owned by Willis Faber, the insurance broker, for £137.4m.

Rumours that Willis Faber was preparing to sell its stake in Morgan Grenfell have been widespread in the City for some weeks.

The sale is taking place in two stages because permission must be sought from Willis Faber's shareholders and the Bank of England. The first stage, the purchase of a 10.6 per cent stake from Willis Faber, has been completed, giving Indosuez a holding of 14.8 per cent.

If the full deal is completed, Indosuez will own a total of 24.8 per cent in Morgan Grenfell.

Mr Antoine Jeancourt-Galignani, Indosuez chairman, said yesterday he had written to Morgan Grenfell offering a partnership which would create a new European merchant bank.

"We think that the synergies between the two of us can be extremely attractive," he said.

News of the proposed deal was followed by nearly three hours of discussion in London between Mr John Craven, Morgan Grenfell's chairman, and Mr Jeancourt-Galignani. However, in the afternoon, Morgan Grenfell issued a statement saying it was seeking further clarification of Indosuez's long-term intentions.

Mr Craven said afterwards that he had been aware for sometime of the discussions between Willis Faber and Indosuez.

It also emerged that Morgan Grenfell and Indosuez had been in discussions earlier this year but that they had broken down.

Indosuez's decision to make a new approach seems to have come as a shock to Morgan Grenfell, and seems likely to force it to make some stark choices about its future.

One of the oldest and proudest financial institutions in the City, but with a reputation tarnished by its involvement as the adviser to drinks group Guinness in its controversial but ultimately successful takeover bid for Distillers in 1986, it now faces stark choices.

It can either fight to continue its 150 years of independence or, as its senior executives fear, seek opportunities as a Pan-European merchant bank at the price of becoming a subsidiary within a French group.

As yet there is no explicit prospect of a takeover bid by Indosuez. The French bank says it will not bid for Morgan Grenfell, barring the appearance of a rival suitor or some other material change in circumstances.

However, Mr Jeancourt-Galignani has made it equally clear that he would not be adverse to coming close to the 29 per cent limit at which a takeover offer must be made.

This possibility could arise if Deutschebank, which owns 4.9 per cent, or one of the other smaller shareholders in Morgan Grenfell were to sell out to Indosuez.

Though it has yet to recover fully from the buffeting it took from the Guinness affair in 1986, Morgan Grenfell in recent months has begun to look as if it might soon begin to regain something of its former mystique.

Pre-tax profits for the half-year announced in September were £32.8m, well up on last year's £21.9m, in a year which has generally been bleak for merchant banks.

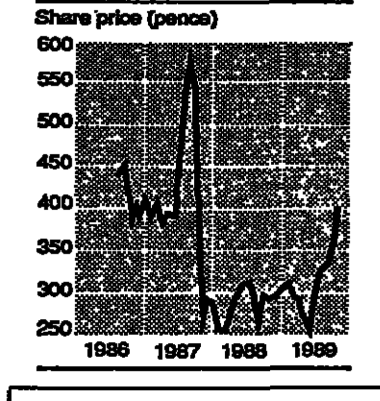
The group's dividend was increased for the first time since 1986.

The recovery is the reward for swallowing bitter but necessary medicine. This included Morgan Grenfell's withdrawal last December from the securities market and a fierce pruning of its overhead costs and staff numbers, which dropped from over 3,000 to under 2,400 in less than a year.

Refocused on its core activities of banking, corporate finance and asset management, Morgan Grenfell is today in better shape than for several years.

But even before news of Indosuez's move, Morgan Grenfell was regarded by the market as somewhat isolated and a tempting prospect for foreign predators seeking to enlarge their cross-border operations.

Banque Indosuez's moves to acquire a major stake in Morgan Grenfell can be explained in terms of its own background and current trends in European banking.



Trevor Humphries

Antoine Jeancourt-Galignani flanked by Adrien Phares general manager (left) and Patrice Mignon vice president

Indosuez had FFr341bn of assets at the end of June, and is the principal banking arm of the Suez group, which controls 100 per cent of its capital.

One of the leading merchant banks in France, it matches Morgan Grenfell's reputation in mergers and acquisitions.

Its specialist mergers and acquisitions subsidiary, Financière Indosuez, ranked second behind Lazard Frères in the French mergers and acquisitions market last year, advising on bids worth FFr26bn, according to PF Publications.

From its historical roots – the Suez canal operating company and the Banque de l'Indochine – Indosuez has retained a strong presence in both the Middle and the Far East, but it has traditionally been weaker in Europe and North America, areas where Morgan Grenfell is strongest.

In recent years it has built on its Far Eastern activities, buying the London-based stockbroker W I Carr, a specialist in the region with a seat on the Tokyo Stock Exchange, and developing a range of banking and securities market operations: 40 per cent in Producers Bank of the Philippines, 25 per cent in Nava Finance and Securities in Thailand, for example, besides its existing bank branch network.

In the securities market field, Indosuez had already begun to develop its network worldwide. Alongside W I Carr in London, it bought France's leading equity broker, Cheuvreux de Virieu, and took 75 per cent of Capital Securities, a Canadian broker.

But for the rest of its merchant banking acitivities, the bank's senior executives have acknowledged recently that it was too weak in Europe, especially in London.

Europe, outside France, accounted for only 11 per cent of Indosuez's net income last year compared with 10 per cent for the Middle East and 31 per cent for the Asia and Pacific region.

Its interest in Morgan Grenfell corresponds to number of recent moves by rival French banks, who have begun aggressively building their international activities in anticipation of the opening of the single European market.

Mr Craven said yesterday he and his board would look at the picture in its entirety.

"There is nothing to be gained by being hostile or impolite," he said. There is, according to Mr Craven, no cross-channel takeover battle looming.

Lex, Page 26; Faber sale, Page 33

Tootal and Coates merger approved

By Ray Bashford

THE Monopolies and Mergers Commission has approved the £395m ($632m) merger between the Tootal Group and Coats Viyella provided that Coats disposes of its interests in the UK domestic thread market.

The Commission said the merger would adversely affect competition in the £10m-a-year market for domestic sewing thread, but failed to find any other areas where competition would be reduced excessively.

Mr James McAdam, the deputy chairman of Coats, and Mr Geoffrey Maddrell, the chief executive of Tootal, indicated last night they did not believe the Commission's objection would thwart another attempt to merge.

The Coats takeover offer lapsed late last June, when the Commission made the surprise announcement of an investigation into the merger.

Coats and Tootal agreed merger terms last May. Coats holds a 29.9 per cent stake in Tootal, mostly acquired from Mr Abe Goldburg, the Australian textiles manufacturer.

The £395m offer included a cash alternative at 133p a share. The market yesterday expressed confidence that the deal would be revived and pushed the shares 7p higher to 120p.

Mr Maddrell said he was pleased with the outcome of the investigation, and added that an objection centred on a business which had sales of £1.8m last year should not stop the creation of a new company with annual sales of £2.5bn.

The companies are to seek Department of Trade and Industry clarification on whether the sale of the Coats' businesses must be made before another offer can be made.

Details, Page 39

Navigation Mixte opens fight against Paribas bid

By George Graham in Paris

COMPAGNIE DE Navigation Mixte, the French champagne to insurance conglomerate, yesterday opened its defence against the FFr22.5bn ($3.6bn) takeover bid launched earlier this week by Compagnie Financière de Paribas.

Navigation Mixte forecast a sevenfold leap in profits this year, a substantially higher dividend, and threatened to counter Paribas's bid by buying more shares in its attacker.

Mr Marc Fournier, Navigation Mixte's chairman, said he had asked Mr Pierre Bérégovoy, the finance minister, for permission to cross the threshold of 10 per cent in Paribas, and had every reason to believe permission would be granted.

The permission is required under a new law passed by the socialist government earlier this year creating a form of golden share in all companies privatised by the previous right-wing administration.

He forecast that his company's unconsolidated parent company profits would be around FFr4.7bn this year, largely on the back of the cash paid by Allianz, the West German insurance giant, for 50 per cent of Navigation Mixte's insurance interests. Parent company profits last year totalled FFr634m, and group consolidated profits FFr810m.

Mr Fournier said it would be logical for the group to pay out a substantially increased dividend next year. He maintained that this was not a poison pill aimed at warding off Paribas's bid, of FFr1,850 or three Paribas shares for every Navigation Mixte share, since he had already announced his intention to do so at the shareholders' *meeting in June.*

He refused to say whether any of Navigation Mixte's main traditional shareholders, including three large retail banks, Crédit Agricole, Crédit Lyonnais and Société Générale, and Framatome, the nuclear plant builder, planned to increase their stakes in defence against the bid, adding that investors represented on the board already owned close to the majority of the company's capital. He said he had no intention of seeking a white knight.

Navigation Mixte's statement rejecting Paribas's offer was agreed unanimously by its directors, Mr Fournier said, including Dr Friedrich Schiefer, managing director of Allianz, who has just joined the board.

Allianz's attitude, as joint owner of the insurance interests and now a 5 per cent shareholder in Navigation Mixte itself, is expected to be crucial to the outcome of the bid.

The main element in Navigation Mixte's resistance appears to be a form of "Pacman defence" when a company rounds on its bidder. Although analysts doubt whether Mr *Fournier would be able to* mount a full bid against Paribas, his company already owns nearly 5 per cent of its shares and has around FFr11bn in cash resources, enough to take it to nearly 30 per cent.

Besides the political approval required because Paribas is a privatised company, however, Navigation Mixte would need the agreement of the banking supervision authorities to go above 10 per cent.

Some Paris bankers believe the authorities would be unwilling to allow Navigation Mixte to become the principal shareholder in a banking group so much larger than itself.

Oil and gas help Norsk Hydro to advance

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly-quoted company, saw *third-quarter* net profits increase to NKr408m ($59m) from NKr334m in the same period last year, in spite of a decrease in operating income in three of the group's four divisions.

However, net profits for the first three quarters of 1989 slipped to NKr2.11bn from NKr2.18bn because of weaker sales performances in petrochemicals and fertilisers, two of the group's four divisions.

Group operating income in the third quarter improved by NKr84m to NKr1.14bn. For the first three quarters of this year group operating income rose to NKr5.35bn from NKr4.63bn last year.

Hydro said operating income in the third quarter was weaker compared with the first two quarters primarily because of a lower level of activity during the summer months which affected sales of fertilisers, gas and heating oil, and aluminium and PVC products.

Group financial expenses in the third quarter were more than halved to NKr249m from NKr513m largely because of exchange losses of NKr366m suffered in last year's third quarter period.

Hydro's agriculture division was by far the group's worst performer in the third quarter. Operating income plunged to NKr9m from NKr78m last year because of lower prices in overseas markets, a shift in sales towards markets with smaller margins and costs associated with the restart of an ammonia plant.

For the first three quarters operating income slipped to NKr885m from NKr982m last year.

The oil and gas division was the group's best performer with third quarter operating income hitting NKr436m, against NKr167m last year. For the first three quarters operating income increased to NKr1.674bn from NKr874m last year.

Hydro's light metals division also saw third quarter operating profits slip, to NKr433m from NKr458m.

Cool response to share disclosures

Haig Simonian on responses to Deutsche Bank's equity stakes

Deutsche Bank's surprise disclosure of a batch of previously-unknown equity stakes in leading German companies has triggered a variety of responses in Germany ranging from astonishment to stifled disinterest.

But the signs are that the bank's disclosures, which are headed by a 10 per cent holding in Allianz, Europe's biggest insurer, worth some DM3.07bn ($1.67bn) at current stockmarket prices, will not spur a string of copy-cat reactions among Germany's other big institutions.

"In the past six months there *has* been so much written about the power of German banks and their equity holdings that there are no more secrets left," claimed Mr Peter Pietsch, an official from Commerzbank, Germany's third biggest bank.

"Almost all our stakes are known, as most are held through holding companies which have disclosed their participations, even those below the 10 per cent level," he added. "We have no 10 per cent *stake in Allianz, unfortunately,*" he said.

The reason behind Deutsche Bank's sudden disclosure of its holdings stems from its decision to issue 1.2m new shares in Germany, worth around DM800m, ahead of its Tokyo listing.

DEUTSCHE BANK'S BIGGEST STAKES	
Company	Stake (%)
Daimler-Benz	28.24
Philipp Holzmann	30
Karstadt	25.08
Kloeckner-Humboldt-Deutz	40
Suedzucker	23.05
Allianz	10
Muenchener Rueckversicherung	10
Linde	10
Heidelberger Zement	10
Hapag-Lloyd	12.5
Indirect holdings	
Metallgesellschaft	10.9
Horten	18.75

The new equity, which comes within the limits of the bank's already authorised share capital, is for the first time not being issued with prior purchase rights for existing shareholders.

As a result, German public equity offering rules require *the bank to provide more information* on its equity holdings than is covered by the statutory disclosure requirements.

Less clear is how the bank's stakes may have altered in recent years. However, 10 per cent is the key trigger. While stakes above that level have to be included in a bank's capital ratios, a holding of exactly 10 per cent carries certain important tax privileges.

Thus both Deutsche Bank, and probably other financial institutions, may actually have raised their stakes in some companies to the 10 per cent level following a change in German law, which made such tax breaks available to stakes of 10 per cent, rather than 25 per cent before.

By the same token, it is unlikely that the bank owns stakes of any substantial value below the 10 per cent level.

Meanwhile, reactions in some of the companies in which the bank has disclosed holdings were relaxed yesterday. At Münchener Rückversicherung (Munich Re), the world's largest re-insurer, the news received a relaxed reception.

"As we have registered shares, the holding was already known," said Mr Rainer Ku<diaresisppers, a spokesman for the company. However, the group's policy of not disclosing the names of its big shareholders would not be altered as a result of Deutsche Bank's revelation.

Nor did Munich Re, which is believed to be one of Germany's largest institutional investors, intend to change its long-standing policy of not-disclosing details of its own investments in German companies.

At Allianz, which used to have a very close business relationship with Deutsche Bank before the latter's decision last year to set up its own life insurance operation, the bank's disclosure of a 10 per cent stake was treated cautiously.

"I don't think anybody cares too much about it," said an official, noting that German groups would have to publish stakes of over 10 per cent under new European Community laws to be introduced from 1991.

Moreover, "having holdings at the 10 per cent level is hardly surprising in view of the tax breaks involved," the spokesman added. Any big institutional investor which was looking at a sizeable long-term holding in a company might well aim for the 10 per cent figure. "If you go into anything above 5 per cent, the chances are you'll aim for the 10 per cent figure."

Did that mean that Allianz owned 10 per cent of Deutsche Bank? "No comment," came back the rather predictable answer.

Gemina seeks arbitration over Ambrosiano

By John Wyles in Rome

GEMINA, the financial holding company controlled by Fiat, is to seek arbitration in its dispute with the other controlling shareholders of Banco Ambrosiano over the acquisition by France's Crédit Agricole of 13.3 per cent of the Milan bank.

Gemina had supported Generali, Italy's largest insurance company, in its bid to buy a share package owned by Banco Popolare di Milano.

In an unexpected move last Monday, a majority of Ambrosiano's controlling shareholders' syndicate voted instead the stake should go to Crédit Agricole. Gemina says the syndicate's rules require unanimous agreement on the entry of a new member and last Monday's decision was illegitimate.

Bofors to sack 550 staff as army orders decline

By John Burton in Stockholm

BOFORS, the armaments division of Sweden's Nobel Industries, yesterday announced it will axe 550 workers by next year due to declining orders from the Swedish armed forces.

It is the latest in a series of job cuts affecting Sweden's largest defence contractor, raising to 1,200 the total number of jobs being phased out between 1988 and 1990.

The announcement is an indication of the growing problems within the Swedish defence industry, which is suffering from restricted defence spending at home and declining export orders.

Although Bofors expects sales to climb from SKr5.3bn ($829m) in 1988 to SKr6bn this year, the increase is mainly due to its acquisition in May of Philip's defence electronics operations in Sweden. Profits are expected to remain unchanged at around SKr270m while new orders are expected to fall from last year's level of SKr2.1bn.

What worries Bofors executives is the lack of new development projects from the Swedish army. Bofors has been seeking several new programmes including a new generation of anti-aircraft missiles and the possible development of a lightweight tank.

But Sweden's supreme commander recently warned that the Swedish army will probably not be able to afford supporting the domestic development of these weapons.

Securities trading income boosts Crédit Suisse

By John Wicks in Berne

CREDIT SUISSE reported a "very gratifying" earnings trend for the first three quarters of 1989, due primarily to a sharp rise in trading income.

Mr Robert Jeker, president of the Zurich Bank's executive board, said in Berne yesterday that, "barring unpleasant surprises," profits for the year as a whole should be significantly higher than those for 1988.

Last year, net earnings had gone up 7.6 per cent to a record SFr591.7m ($369m). The bank, one of Switzerland's Big Three, paid unchanged dividends for the year of SFr108 per bearer share and SFr21.60 per registered share.

A main contribution to nine-month profits has come from securities trading, with what are said to have been particularly good results in trading on own account.

All forms of commission income showed good growth over the period, with earnings from foreign exchange and precious metals trading rising considerably.

Profits on balance sheet operations have, however, not kept up with the marked expansion in total lendings.

Crédit Suisse's balance sheet total, of SFr116bn as of September 30, was up only 2.3 per cent over the level at the end of last year, a growth rate approximately corresponding to exchange rate movements. While total lendings jumped within this total by 15.2 per cent to SFr88.6bn, overall customer deposits went up by only 2.8 per cent to SFr74.2bn.

SKF result signals it may enter cyclical downturn

By John Burton in Stockholm

SKF, THE world leader in roller bearings, reported a 78 per cent *jump in profit after* financial items for the first nine months of 1989, but its third-quarter results indicate it might be heading for a cyclical downturn.

Profits during the first three quarters climbed to SKr1.78bn ($278m) from SKr1bn a year ago while sales increased by 17 per cent to SKr18.46bn from SKr15.72bn.

But the third-quarter results could point to tougher times ahead. Sales in the third quarter fell by 12 per cent to SKr5.69bn from SKr6.46bn in the second quarter, while earnings fell by 7 per cent to SKr578m from SKr621m.

SKF's good performance this year reflects strong demand from European engineering companies for rolling bearings, SKF's main product, accounting for more than two-thirds of its total sales.

Return on capital has also improved over the year from October 1988, to 21 per cent from 14 per cent reflecting the company's own efforts to increase efficiency.

SKF predicts that rolling bearing demand in Europe will remain favourable, while demand in Latin America will continue to grow after a weak start to the year.

But it describes the US market as uncertain. Decreased production in the car industry is leading to lower demand in the US for roller bearings, in spite of favourable sales trends in other sectors there.

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INTERNATIONAL COMPANIES AND FINANCE

Skase insists Qintex is solvent

By Chris Sherwell in Sydney

MR CHRISTOPHER Skase, the entrepreneurial head of the Qintex television and resorts group in Australia, yesterday insisted his beseiged empire was solvent and added that, with the support of bankers, it would meet commitments.

His belated announcement last night came after another day without further detailed information on the true state of Qintex Australia, the group's operational arm, and its parent, Qintex Ltd, shares in both of which remained suspended on the Australian Stock Exchange.

The exchange, following Qintex's revelation of limited financial details earlier this week, has been seeking additional disclosures about the company's circumstances by effectively asking if it could meet commitments.

Separately, Australian Ratings, the local credit rating agency, has lowered its rating on Qintex Australia from BB minus to CCC, signifying uncertainty about its capacity to repay debts.

The National Companies and Securities Commission (NCSC), Australia's sharemarket watchdog, is also looking at the Qintex group's finances, including controversial payments made by Qintex Australia to a company controlled by Mr Skase and senior executives for management services and expenses.

The payments arrangement, which gave the services company A$32.6m ($25m) in the year to July, was responsible for the resignation earlier this week of two independent directors, Mr Ted Harris and Mr Fred Davey. They apparently refused to approve additional payments, believed to amount to more than A$9m.

Reports yesterday said Mr Skase would shortly be accepting the appointment of an official financial adviser from accountants Peat Marwick Hungerford, as part of the arrangements being agreed with the consortium of bank lenders to Qintex led by Hongkong Bank.

Mr Skase has, since Monday, been discussing the group's affairs with his bankers, lawyers and accountants, reinforcing public perceptions that the Qintex group's future is highly precarious.

The Stock Exchange demands have been for details about the group's profits, depreciation and cash flow. Earlier this week the group said its cash flow had been "negatively impacted" by more than A$200m.

The exchange also enquired about a loan of US$38m made to Qintex Entertainment, its 42 per cent-owned US arm, which last Friday filed for Chapter 11 bankruptcy protection.

"We have difficulty accepting that the company would enter into a $38m loan which is unsecured, earns no interest, has no maturity date and no other terms applicable with another company other than a subsidiary," the exchange said.

Australian Ratings, in its comment on the downgrading, said Qintex Australia "appears to have encountered some liquidity problems," because of higher interest rates, a weaker performance of its Mirage resorts as a result of the domestic pilots' dispute, delays in the A$110m sale of two regional TV stations, and the termination of plans to merge Qintex Entertainment with MGM/UA.

Brambles to raise A$79m

By Chris Sherwell

BRAMBLES, the Australian-based international transport and waste management group, yesterday announced that it would generate A$79m (US$61m) from a pro-rata share offer and the disposal of share investments.

The raising is the result of its acquisition yesterday of the balance of shares in Allette Investments and its wholly-owned subsidiary Cubitiere Investments, described by Brambles as "two associated companies" whose main activity is investing in securities of listed companies.

Mr Gary Pemberton, Brambles' managing director, said yesterday A$40m of the proceeds would be earmarked to fund the possible expansion of its European pallet hire operation, called CHEP, into the US. A decision on the move is expected by March next year.

According to a statement by the company to the Australian Stock Exchange, Allette and Cubitiere together held 11.7m shares in Brambles, acquired in 1985, and these are to be offered, on a one-for-18 pro-rata basis, to Brambles shareholders at A$10 per share.

This is below the year's low point of A$10.50, and at a substantial discount to current market prices of more than A$13. Brambles said the offer would generate a once-off extraordinary profit after tax of A$36m.

The statement added Allette had also realised an after-tax ordinary profit of approximately A$43m on the sale of major investments in listed companies since June. This made a total profit of A$79m.

Regarding the proposed US expansion, Brambles said the establishment of pallet pools always involved start-up losses in the early years. In the event of it making a decision to commence operations there, it would make a charge against ordinary profits of A$40m.

Japan's top electronics groups soar

By Stefan Wagstyl in Tokyo

JAPAN'S three largest integrated electrical and electronics companies yesterday reported record interim profits, which highlight the continuing expansion of the Japanese electronics industry.

The parent companies of Hitachi, Toshiba and Mitsubishi Electric all increased sales and profits in the six months to the end of September. This was due to buoyant demand at home and overseas for electronics products, including semiconductors, motors and, in the case of Toshiba, laptop computers.

Sales in consumer products dropped, due partly to overseas competition.

Toshiba also announced plans for a Y410bn ($2.9bn) fund-raising – the largest call on the capital markets ever made by a Japanese company, exceeding Y350bn worth of issues announced last week by Sanwa Bank.

Toshiba intends to launch two domestic convertible bond issues, for Y150bn and Y100bn, both on November 14, and a $1.2bn issue of Eurodollar warrant bonds on November 16. The funds will be used for capital investment.

The size of the fund-raising shows the scale of the investment Japanese companies are making in electronics. Earlier this year, Hitachi raised Y250bn for similar purposes.

Pre-tax profits at Hitachi rose 16 per cent to Y106bn on sales of Y1,771bn, an increase of 12 per cent. Net profits were 22 per cent higher at Y55.5bn.

For the full year, Hitachi forecast sales of Y3,500bn, an increase of 8 per cent, and pre-tax profits of Y220bn, up 15 per cent.

Toshiba's sales rose 8 per cent to Y1,463bn, pushing pre-tax profits up 68 per cent to Y100bn. Net profits rose 47 per cent to Y48.8bn.

Toshiba expects sales of semiconductors to be flat in the second half. Semiconductor sales rose in the first half from Y275bn to Y335bn. The forecast total for the year is Y670bn, against Y600bn last year, so all the anticipated gain has already been made.

Profits at Mitsubishi Electric rose 72.7 per cent to Y60.6bn on a sales increase of 12.3 per cent to Y1,151bn. Sales of data communications equipment and electronics devices grew 20.4 per cent to Y397bn, and in heavy electrical equipment turnover jumped 13.3 per cent to Y256bn. Sales of consumer goods fell 2.1 per cent to Y256bn.

For the current year, Mitsubishi expects sales of Y2,370bn, up 6.3 per cent, and pre-tax profits of Y135bn, an increase of 45 per cent. Mitsubishi is spending Y135bn on capital investment this year.

Fujitsu 6.7% ahead in first six months

By Ian Rodger in Tokyo

FUJITSU, Japan's top computer maker, enjoyed a 6.7 per cent rise in pre-tax profits to Y50.2bn ($356m) in the six months to September mainly because of a 4.7 per cent rise in sales to Y985.5bn. Net profit advanced by 17.5 per cent to Y28.5bn.

The group projects that its pre-tax profit for the full year will be up 17.5 per cent to Y125bn.

It said sales of computers and other office automation-related equipment, which accounted for 70 per cent of sales, rose 5.4 per cent.

Sales of electronic devices, including 1 Mbyte memory chips, jumped 18.5 per cent. These increases more than offset slackening sales of telecommunications equipment, the company said.

SA austerity measures slow OK Bazaars' sales

By Jim Jones in Johannesburg

AUSTERITY measures which have intensified progressively since last year slowed sales and profit growth for OK Bazaars, one of South Africa's largest retail chains, in the half year to September 30.

Sales were particularly affected by hire purchase curbs and the directors expect a further deterioration in consumer spending power as fiscal and monetary policies are tightened.

The first half's turnover increased to R1.98bn ($752m) in the six months to September 30 1989, from R1.71bn in the corresponding period of 1988. The interim operating profit before interest and tax rose to R28.5m from R24.5m and the interim pre-tax profit was R16.3m against R14.5m. In the last financial year, turnover totalled R3.73bn, the year's operating profit was R67.1m and the pre-tax profit was R43.2m.

The first half's earnings rose to 63 cents a share from 55 cents and the interim dividend has been lifted to 33 cents from 29 cents. Last year's full earnings were 195 cents and the year's dividend, [illegible] cents. OK Bazaars is controlled by South African Breweries.

Gakken profits advance 3.9%

GAKKEN, a large Japanese publishing house specialising in educational books and magazines, posted a 3.9 per cent rise in unconsolidated pre-tax profits for the year ended August 31 to Y7.26bn ($51m) from Y6.98bn a year earlier, AP-DJ reports.

The company's performance improved partly because of increased demand for educational and other products in a generally expanding domestic demand.

JVC rises 6% to Y11.6bn despite drop in sales

By Ian Rodger in Tokyo

PRE-TAX profits of Victor Company of Japan (JVC) rose 10 per cent to Y11.6bn ($82m) in the six months to September 30, in spite of a 3 per cent drop in sales to Y300.6bn.

The company attributed the increase in profits to improved sales of high valued-added products, such as compact disc portable component systems, productivity gains and cost reductions.

The result was also affected by a change in the accounting year end from March 20 to March 31, making the current period slightly longer than the comparative period.

Net income rose 16 per cent to Y6.9bn.

The company said overall sales declined because of stiff competition and lower product prices on video products.

The domestic market accounted for 50 per cent of total sales and is expected to continue to be strong.

JVC is forecasting a pre-tax profit of Y24bn for the full year.

Fanuc to expand in Europe

By Nick Garnett

FANUC of Japan, the world's largest producer of machine tool controllers, is planning to set up an assembly facility in Luxembourg and a technical centre in Stuttgart, West Germany.

The two facilities will be run by GE-Fanuc, the joint venture the Japanese company formed with General Electric of the US two years ago.

Mr Seiuemon Inaba, president and founder of the company, said yesterday that Fanuc had about 13 per cent of the European market for computer numerical control (CNC) machine tool controllers, a share well behind that held by Siemens of West Germany.

Fanuc hoped to increase its share of the European CNC controller market to more than 20 per cent, Mr Inaba said.

The Japanese company has 70 per cent of the Japanese domestic market for CNC machine tool controllers and just under half of the North American market. GE-Fanuc recently started the manufacture of controllers in the US.

Mr Inaba said he wanted the facilities in Europe completed no later than the middle of 1991. A date for beginning the projects is now being discussed with General Electric.

The joint venture with GE in controllers and factory automation, and one with General Motors in robotics agreed in 1982 were very important to Fanuc, Mr Inaba added.

Fanuc, which is also the world's largest producer of robots, ahead of Asea Brown Boveri, announced earlier this week, record profits for the six months to December.

Recurring profit was Y31bn ($219m), up 35 per cent on the same period last year.

INTERNATIONAL COMPANIES AND FINANCE

Philips rises 41% on lower charges

By Laura Raun in Amsterdam

NET PROFITS at Philips, the Dutch electronics group, jumped 41 per cent to Fl 227m ($109m) in the third quarter from Fl 161m a year earlier due to lower financial charges.

Per-share earnings jumped 33 per cent to Fl 0.84 from Fl 0.63.

"Philips is on the right course in which operating income and profitability are improving," enthused Mr H.H. Appelo, board member in charge of accounting, yesterday. "We have nearly reached a new phase."

He noted that 11,800 jobs have been scrapped in the 21 months since Mr Cor van der Klugt, chairman of Philips, announced that up to 20,000 needed to be axed to restore profitability. Restructuring costs are expected to fall close to Fl 300m in 1990 compared to the Fl 350m-400m this year, Mr Appelo added.

He repeated Philips' earlier forecast that net income from normal business operations in 1989 would be "substantially higher" than last year's Fl 531m. Normal net income for the first nine months was Fl 647m. Mr Appelo said Fl 240m-290m in restructuring costs in the fourth quarter would be offset by "special" gains from the sale of property in Paris. The sale of Hollandse Signaalapparaten, a defence telecommunications subsidiary, to Thomson-CSF of France would be complete by the end of the year, he added.

Extraordinary gains from the HSA sale, an earlier disposal of a defence electronics unit and the flotation of 20 per cent of Polygram could amount to around Fl 650m in 1989, according to securities analysts. Mr Appelo indicated that Philips would take book profits next year on other defence subsidiaries being sold.

Operating income fell 16 per cent to Fl 592m in the third quarter from Fl 702m because of losses in integrated circuits and information systems.

All other businesses – including consumer electronics, personal care products, industrial products and lighting – did well.

Sales were flat at Fl 13.6bn in the July-September period compared to the same period in 1988. The deconsolidation of major household appliances last year exerted some pressure.

Net income climbed 37 per cent to Fl 685m in the first nine months from Fl 499m a year earlier, fuelled by smaller financial costs. Per-share earnings rose 34 per cent to Fl 2.61 from Fl 1.95.

Revenue edged up a modest 2 per cent to Fl 39.8bn in the nine months, from Fl 39bn.

Dutch giant to spin off 20% of Polygram

By Laura Raun

PHILIPS of the Netherlands plans to spin off about 20 per cent of Polygram, its record company subsidiary, in an international equity offer that could raise more than Fl 1bn ($480m).

The electronics giant said yesterday that it would seek a listing for the shares on the New York and Amsterdam stock exchanges. Philips disclosed that it now owns all of Polygram, having purchased the 10 per cent it did not hold this month.

Mr H.H. Appelo, board member in charge of accounting, refused to disclose further details of the offer.

The flotation had been widely expected, following Polygram's takeover of two big record companies, worth around $800m in total, in the past three months. Two years ago Philips planned to float 20 per cent of Polygram but the October 1987 world stock market crash aborted the deal.

Prudential-Bache Capital Funding and Merrill Lynch were appointed joint lead managers for the ill-fated offer of 15m shares.

Securities analysts expect Polygram to earn around Fl 280m this year. That implies a market capitalisation of Fl 5.6bn on a price:earnings ratio of 20 – typical in the record industry, which has been swept by takeovers in the past year.

Polygram is best known for its classical record labels such as Deutsche Grammophon, Decca and Philips. Its recent acquisitions of Island Records and A&M Records have strengthened its pop music repertoire, which includes Casablanca and Mercury.

Philips is enlarging Polygram to create a big, reliable source of software for its consumer electronic products, such as compact disc players.

Polygram expects sales of more than Fl 4bn this year. It has a 15 per cent share of the world record market, including 45 per cent of the classical market.

Schneider flat halfway at FFr280m

By George Graham in Paris

SCHNEIDER, the French construction and electrical engineering group, has reported flat net first-half profits of FFr280m ($44.8m).

Operating profits doubled to FFr1.41bn, but much of this increase was caused by the inclusion for the first time of Télémécanique, the electrical connections manufacturer which Schneider took over last year.

This followed a long bidding battle with Framatome, the nuclear plant builder which has begun to diversify into the electrical sector.

Excluding Télémécanique, operating profits would have shown a gain of 29 per cent. However, the acquisition also led to a surge in the group's financial expenses, which soared to FFr431m from FFr74m in the first half of 1988.

The accounts also include FFr102m of goodwill written down, compared with FFr20m in the first half of last year.

Schneider said its full year results should exceed FFr600m, after exceptional financial costs as well as some exceptional gains on the sale of some non-strategic assets, compared with FFr560m last year.

Tokyu 'in Bloomingdale's talks'

By Ian Rodger in Tokyo

TOKYU Department Store, part of the giant Japanese transportation, retailing and leisure group of the same name, was said yesterday to be negotiating with Campeau of Canada to purchase Bloomingdale's, the US department store group.

Campeau put the Bloomingdale's chain up for sale in September to try to ease its severe cash flow problems and cut its huge debt.

According to the Nihon Keizai Shimbun, Japan's leading business newspaper, Tokyu is leading a group of Japanese, US and European investors and is likely to reach agreement early next month.

Other large Japanese distributors were to be also interested in Bloomingdale's.

Shares of Tokyu group companies have been among the most active on the Tokyo Stock Exchange in recent days. Tokyu Corporation, the parent company, has soared from Y1,980 ($14.04) on October 5 to Y2,740 yesterday, while Tokyu Department Store rose from Y2,080 to Y2,270 and Tokyu Construction from Y1,350 to Y1,540 over the same period.

The group has been the subject of some speculation in recent months since the death of Mr Noboru Goto, the former chairman of the group and a leading Japanese industrialist, in March.

Dissension among family heirs over control has flared and some commentators have suggested the group could split up.

The move for Bloomingdale's suggests the group may be emerging from a period of paralysis, analysts say.

● Our Financial Staff adds: Both Campeau and Tokyu Department Store declined to comment on the newspaper report that Tokyu and a group of U.S and European investors and firms are close to a deal to buy Bloomingdale's.

Strong year of growth for Tandem

By Karen Zagor in New York

TANDEM COMPUTERS, the US manufacturer of computer systems for transaction processing, reported yesterday strong fourth quarter and year-end earnings and revenues.

Net income for the three months ended September 30 increased by 31 per cent to $39.4m from $30.2m, on revenues which rose 19 per cent to $456.2m from $384.0m the previous year.

Earnings per share grew 23 per cent to 38 cents from 31 cents.

Operating income in the quarter jumped 36 per cent to $60.4m from $44.4m.

For the year, net earnings rose 25 per cent to $118.3m from $94.5m. Earnings per share improved 22 per cent to $1.17 from 96 cents a year earlier.

Revenues were up 24 per cent to $1.63bn from $1.31bn.

Operating income for the year was up 25 per cent to $184.3 from $147.3m.

"We are very pleased with the company's performance in the fourth quarter," said Mr James Treybig, Tandem's chief executive. "The US continued to grow beyond our expectations. International business also continued to grow.

"We believe we are very well positioned for the 1990s. We have an exciting product roll-out coming this year. We continue to manage expense levels carefully, and remain cautious about currency fluctuations. We feel positive about the year ahead."

Sales at Ungermann-Bass, a computer networking company acquired by Tandem last year, posted record results, the California company said.

Tandem makes transaction processor systems typically used by banks, airlines, mail-order companies and other businesses that handle very large numbers of customer transactions.

Merieux closes in on Connaught BioSciences

By David Owen in Toronto

ONE FEWER barrier remains to obstruct Institut Merieux's proposed C$942m (US$805m) takeover of Canada's Connaught BioSciences following a deal struck between the French serum maker and the University of Toronto.

Merieux has agreed to spend C$15m on vaccine-related research in Canada over the next 10 years, if its C$37 a share bid for the Toronto-based vaccines producer is successful.

The group has already agreed to provide a new C$30m to C$40m biotechnology centre.

As a result, the university intends to advise Investment Canada, Ottawa's investment review agency, that it will withdraw its objection to the French offer, which would create the world's largest vaccine maker.

Compaq shares drop as it finds 'problem' with chip

By Roderick Oram in New York

THE SHARES of Compaq Computer tumbled yesterday after it reported a problem with a new computer chip from Intel that it plans to use in future machines, and third-quarter earnings at the lower end of analysts' estimates.

After the opening of trading in its shares was delayed by heavy sell orders, the stock of the fast expanding personal computer maker dropped $9⅝ to $99¼ on volume which made it one of the most active stocks traded in New York.

Intel's stock was also hurt by the news about its chip. Compaq executives told analysts about the problem at a meeting in New York on Wednesday evening. The price fell $1⅞ to $31⅞.

With Intel executives addressing an analysts' meeting in California yesterday morning, there was no official confirmation from the company, a leading semiconductor maker, on the nature of the problem.

Compaq said it discovered a flaw in the chip's computational floating point feature during tests last Friday. The chip will be at the heart of a new generation of personal computers from many manufacturers including Compaq.

"You could just hear an audible gasp in the crowd when they made the announcement," said an analyst who attended the meeting.

Neither company immediately clarified how serious the problem was or what impact it would have on Compaq's plans to unveil new models that use the chip in 10 days' time. However, analysts felt that Compaq's fourth-quarter shipments would suffer and so downgraded their earnings forecasts.

For the full year, they are expecting the company to earn around $8.50 a share, some 20 cents less than before the news. Compaq reported a 36 per cent increase in third-quarter sales as it continued to boost its share of both the US and European markets. Sales totalled $683m against $502m a year earlier.

Net income for the latest period was $87m or $2.02 a share, boosted by a $13.7m pre-tax extraordinary gain, against a net of $58m or $1.40 last year.

Nine-month earnings were $254m or $5.91 a share, including a pre-tax gain of $9.7m, against a net of $168m or $4.06. Sales were $2.1bn against $1.4bn.

"In the US, Compaq's market share is at an all-time high of 27 per cent of retail sales," said Mr Rod Canion, president. In Europe, Compaq is also maintaining its number two position in the market behind IBM, he said. Sales outside the US accounted for 43 per cent of revenues during the quarter.

Zenith computer arm in loss

By Roderick Oram

ZENITH Electronics has revealed that the computer business it agreed three weeks ago to sell to Groupe Bull of France has turned from a high flier into a loss-maker.

Moreover, the core television manufacturing business which will be Zenith's mainstay after the divestment will report a smaller improvement in its performance this year than the company had forecast only three weeks ago.

As the sole surviving US-owned colour television maker, analysts are sceptical whether it can turn much of a profit by concentrating exclusively on the US competitive market dominated by global makers.

The information came in the Chicago company's third-quarter results, which reported the performance of the television and computer businesses separately for the first time.

Through most of the 1980s, profits from computers more than offset Zenith's heavy losses on televisions.

But major computer makers such as Compaq and Apple have entered the market for lap-top computers, once led by Zenith.

Factors such as increased competition led to a net loss from computers of $15m in the quarter against a profit of $1m a year earlier, and a loss of $20.1m for the nine months against a profit of $9.8m a year earlier.

Zenith's remaining businesses of televisions, video cassette recorders, monitors and electronic components turned in an operating loss of $7.3m in the quarter against a loss of $1.3m a year earlier. The nine-month loss was $17.8m against $21m.

Interest and income taxes resulted in a net loss from continuing operations of $9.1m in the quarter against a net profit of $2m a year earlier, and in the nine months a loss of $21m against a loss of $18.5m. Sales were $376.8m in the quarter against $360.7m.

Pechiney sells Paris head office

By William Dawkins in Paris

PECHINEY, the world's third largest aluminium producer, yesterday announced the FFr2.76bn ($442m) sale of its central Parisian head office to a group of French institutional investors.

This is the latest indicator of climbing Paris property values.

Mr Jean Gandois, chairman of the state-owned company, ordered the sale to help pay for last year's $1bn purchase of American National Can.

The group has also just started building a FFr4.5bn smelter near Dunkerque, northern France, following the resolution of a row with the European Commission over a cheap power deal with the French national electricity board.

Pechiney's head office at Rue Balzac is in the so-called "golden triangle" near the Champs-Elysees, close to where the Shell oil group sold a building for FFr3.7bn last summer, at FFr70,000 per square metre.

That compares with the FFr80,000 per square metre for which the Pechiney building is being sold.

The buyers are Groupement Foncier Francais, a group of insurance companies, acting with Nouveaux Constructeurs, a property group.

Pechiney's 750 head office staff will move early next year to a rented building in Paris new business district, La Défense.

Placer Dome puts oil and gas business up for sale

By Robert Gibbens in Montreal

PLACER DOME, Canada's largest gold producer, has not succeeded in finding a big North American gold producer to buy, but wants to sell its oil and gas business as soon as possible, says chairman Mr Fraser Fell.

Asking prices for existing producers are much too high, Mr Fell said after an address to Montreal analysts. "Though we have a strong team running our oil and gas subsidiary, we don't really know the business and it's for sale."

Placer Dome has a cash hoard of C$700m (US$598m), and some analysts claim it is a takeover target for several international mining groups.

The stock is widely held and the Caisse de Depot, the Quebec pension plan manager, is the largest single shareholder with about 5 per cent.

Mr Fell said Placer Dome has not received any approach from a global mining group. "It will take a great deal of money to buy control. Just imagine the political fall-out if a South Africa-based company tried."

Placer Dome wants to expand in base metals as well as gold in North America besides developing its global mining business. It is confident of reaching or exceeding its target gold output of 1.5m ounces by 1991, up from 1.1m ounces this year, despite some operational problems in Australia and elsewhere.

Output at 61 per cent-owned Misima in Papua New Guinea in the second half this year will be 160,000 ounces of gold and 1.1m ounces of silver at an average cash cost of US$145 per ounce.

BCE to write down investment in property unit

By Robert Gibbens in Montreal

BCE, Canada's largest holding company, will make a "substantial" writedown of its investment in its troubled property subsidiary in the fourth quarter this year.

BCE (no owns 67 per cent of BCED and analysts estimate a New York investment bank has revalued its assets at around C$1.75bn (US$1.49bn), down about 20 per cent from the stated 1988 value. This would indicate that the BCE write-down could be more than C$300m.

BCE, parent of Bell Canada, Northern Telecom and many other companies, earned C$311m or C$1 a share in the third quarter, up from C$215m or 74 cents a year earlier, on revenues of C$4.2bn against C$3.8bn.

Enimont restructuring aims to calm fears

By John Wyles in Rome

ENIMONT, Italy's chemicals joint venture between the public and private sectors, sought yesterday to allay growing anxieties about its future by simultaneously announcing a new management structure and first-half profits that appear to be on target.

However, the company looks likely to run into another period of uncertainty if, as was widely expected in Rome last night, its chairman Mr Lorenzo Necci is nominated today by the Government as president of ENI, the state energy group which is part owner of Enimont with Mr Raul Gardini's Ferruzzi group.

Mr Necci's appointment is expected to be accompanied by that of Mr Franco Viezzoli, currently president of Enel, the state electricity authority, to the presidency of Iri, Italy's largest state holding company. Mr Gabriele Cagliari, a socialist member of ENI's executive committee, has been tipped to take over at Enimont.

The chemicals venture has been wracked by internal tensions over the past few months, with managers dividing much along the lines of the two founding companies, Enichem and Montedison. Controversy has surrounded Mr Antonio Sernia who, at Enichem, had been in charge of refining and aromatics, intermediates and crackers, and plastics and materials.

It was announced yesterday that these are now to be treated as three of eight separate businesses around which Enimont will organise its activities. Each is to be headed by a single manager, Mr Sernia has been appointed assistant responsible for chemicals to the president of Eni.

The other five businesses are fibres, fertilisers, elastomers, detergents and fine chemicals.

Yesterday's statement said the company was on target to achieve its full-year budgeted net profits which are understood to be around L1,000bn ($740m). First-half results published yesterday reveal a gross operating profit of L1,400bn on revenues of L8,200bn and a net profit of L525bn.

Following a recent softening of base chemical prices, some analysts have doubted the feasibility of the company achieving its first-year profits target. Recent statements by its management suggest that the company will be relying on some asset sales to do so.

Imasco rises by 16% in third quarter

By Robert Gibbens in Montreal

IMASCO, the tobacco products, financial services, fast food and retailing group controlled by BAT Industries of the UK, boosted profits by 16 per cent in the third quarter and 18 per cent in the first nine months.

Third-quarter earnings totalled C$103.5m (US$88m) or 81 cents a share, up from C$88.9m or 71 cents a year earlier on revenues unchanged at C$1.5bn.

Nine-month profits were C$248m or C$1.93 a share, up from C$210.8m or C$1.67 on revenues of C$4.1bn against C$4.4bn.

All segments contributed better results.

The Peoples Drug Stores subsidiary in the US continued its recovery while the US fast food division on an operating basis improved profitability in a highly competitive market.

Tobacco products remained the biggest single contributor to Imasco's profits.

The company holds a more than 50 per cent market share in Canada.

The fourth quarter should continue these trends, the company said.

Food group chief resigns

MR PIERRE Lortie has suddenly resigned from his position as chairman and chief executive of Provigo, Canada's second largest food distributor after the George Weston Group, writes Robert Gibbens.

A former head of the Montreal Stock Exchange, Mr Lortie took over leadership of Provigo in 1985 and steered the company into diversification including catalogue merchandising and drug distribution.

However, earnings have declined over the past two years, and the company now says it will develop its Canadian and US food distribution businesses.

In the second quarter ended August 12 Provigo posted a profit of only C$200,000 (US$170,940) against C$16m or 18 cents a share a year earlier.

The company would not reveal who will succeed Mr Lortie. But several non-food subsidiaries are expected to go on the block quickly.

INTERNATIONAL CAPITAL MARKETS

Swiss vote for single electronic exchange

By Rachel Johnson

THE three Swiss stock exchanges have voted to link up to a single electronic exchange in a move planned to keep Switzerland in the vanguard of the campaign to computerise trading in international markets.

Fixed-rate bond trading will be transferred to a national electronic system costing SFr35m (£13.8m) by the summer of 1991. The Swiss are still debating whether to replace their regional exchanges — in Zurich, Geneva and Basle — with one national electronic exchange for all securities trading.

The Association of Tripartite Bourses, project co-ordinator for the exchanges, was responsible for evaluating the possible benefits of the system. With the authority and co-operation of exchange members, it came up with the "EBS solution" to deal exclusively with bonds to begin with.

All three exchanges declared themselves to be in favour of the system, although some board members on the exchanges expressed their antagonism to electronic exchanges earlier this year.

The association is poised to sign a contract so work can start in November. It will be carried out as a joint venture between Arthur Andersen, the management consultants, and Logica, the computer software company.

The detailed specifications of the new exchange are to be worked out in the next few months. Particular attention will be paid to the details necessary for exchange members to plan their own interfaces into the EBS system.

The vote for another electronic exchange underscores Switzerland's intention to remain in the forefront of the computer revolution. Soffex, the Swiss Options and Financial Futures market, which opened in 1988, was the first in the world to offer fully-electronic services from trading to clearing.

Despite technical problems during hardware adjustment on Soffex last summer — and the paralysis of the French and Belgian central dealing systems during the past fortnight's "mini" equity market crash — the planned computerisation of bond trading shows a continued confidence in fully electronic exchanges.

SEC approves stock market stabilisers

By Janet Bush in Washington

THE Securities and Exchange Commission has unanimously approved a revolutionary new product and market structure developed by the New York Stock Exchange which will allow institutions to buy and sell the entire Standard & Poor's 500 index in a single trade. The NYSE started trading the product on Wednesday morning.

The commission voted four to one on Wednesday to approve the NYSE's exchange stock portfolios as well as a similar product proposed by the Chicago Board Options Exchange based on the S&P 500 and 100 indices and a proposal by the Mid-West Stock Exchange to trade non-standard portfolios in an after-hours session.

The most innovative of the three products is the one developed by the NYSE. The exchange has also designed an entirely new trading arena in which to trade baskets.

The potential impact on NYSE trading could be enormous as programme trading will be able to be done at arm's length from the rest of the market.

If the new product becomes widely traded as it is expected to do, the NYSE and the SEC hope that the wild swings of the last two weeks as waves of programme trades hit the floor of the exchange will be a thing of the past.

As things stand, an order to buy or sell all 500 stocks in the S&P 500 is entered into the Superdot electronic order system and then split into 500 separate orders which hit the floor of the NYSE simultaneously.

Exchange stock portfolios will allow an institution to buy and sell the entire index in a single trade.

The SEC believes that the system will be more efficient, will involve lower costs and, most crucially, meet the increasing desire of institutional investors to carry out efficiently indexed or passive investment strategies.

These seek to track a major index such as the S&P 500 rather than individual stocks and the NYSE's new product should help them to do this more easily.

The NYSE is geared up to start trading in the new product. It has agreed to a review of three specific rules in about six months' time.

US Treasuries edge up as GNP shows modest rise

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds moved marginally higher yesterday morning after release of preliminary data for third-quarter gross national product (GNP), which showed continued modest growth up to September but pointed to a weaker performance in the last three months of this year.

Worse US gross national product figures for the third quarter undermined investors' confidence as the uncertainty over the Federal Reserve's funding policy continued. The December future closed at 104.47 as against 104.70 on Wednesday, after its opening point at the day's highs, after ICI reported a drop in year-on-year profits of £306m. "The market was encouraged by the continued signs of recession, and the ramifications of the ICI results, I'm sorry to say," said a trader.

Gilts rose 14 ticks after lunch after traders had waited for the company's results "eagerly" all morning. The Benchmark Treasury 11¾ stock due 2003/07 fell below the key 10 per cent yield level to 9.90 at one point, and moved up a quarter of a point in price to 112¾.

GOVERNMENT BONDS

Bonds showed no dramatic reaction to the figures. The Treasury's benchmark long bond was quoted ⅛ point higher at mid-session for a yield of 7.87 per cent.

The Commerce Department reported 2.5 per cent GNP growth in the third quarter, exactly in line with expectations, and compared with an unrevised 2.5 per cent rate of growth in the second quarter.

Both the implicit price deflator and the fixed weight index provided evidence of lower than expected underlying inflation in the third quarter of 2.9 per cent in each case compared with 4.6 per cent and 5 per cent in the second quarter respectively.

Growth in the third quarter was boosted by a healthy gain in consumption spending, primarily because of a high level of car sales. However, a build up in inventories suggested that manufacturing industry would cut production and employment in the fourth quarter.

The Fed yesterday drained liquidity from the banking system through four-day matched sales while Fed funds were trading at 8¾ per cent, the Fed's perceived target.

■ JAPANESE government bonds continued their gradual downwards drift of the past week, and closed lower amid relatively light trading, at 104.61. Contracts worth Y54,604 trillion (million million) were traded.

Yields rose as a result of the poor tone in the market, as yen bonds failed to benefit from the loss of confidence in the equity markets in the US. The yield on the Benchmark No 111 rose to 5.380 per cent from 5.340, after opening at 5.365.

Dealers remained bearish and some suspected that the official discount rate might be raised to a point slightly above its present levels on short-term CDs.

There was an auction of 40 per cent of Y500bn of 10-year bonds, producing an average yield of 5.163 per cent and an average bid price of 99.58.

■ THE UK government bond market moved up by half a point at the day's highs, after ICI reported a drop in year-on-year profits.

■ IN TURKEY, the central bank sold 300bn Turkish lira of one-year bonds at a much lower average yield of 51.61 per cent than the last one year auction. In September, TL 400bn was sold at a much higher yield of 57.43 per cent. The high demand for government bonds and the resulting low yield are due to the liquidity ratio, under which banks have to hold 25 per cent of their total deposits as state bonds or bills of the central bank.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-06	+2/32	11.34	11.70	11.47
		9.750	1/98	95-04	+7/32	10.43	10.60	10.54
		9.000	10/08	95-16	+5/32	9.62	9.61	9.55
US TREASURY *		8.000	8/99	100-28	+2/32	7.87	7.96	8.34
		8.125	8/19	102-27	+3/32	7.87	7.99	8.29
JAPAN	No 111	4.600	6/98	95.3387	-0.168	5.39	5.32	5.18
	No 2	5.700	3/07	104.4727	+0.190	5.21	5.22	5.08
GERMANY		6.750	6/99	98.1000	-0.050	7.02	7.01	6.98
FRANCE	BTAN	8.000	7/94	95.3027	-0.016	9.25	9.24	9.00
	OAT	8.125	5/99	95.6800	-0.080	8.79	8.82	8.71
CANADA *		9.500	10/98	100.3509	-0.175	9.44	9.52	9.81
NETHERLANDS		7.250	7/99	98.8000	-0.050	7.42	7.44	7.29
AUSTRALIA		12.000	7/99	91.4602	+0.498	13.60	13.64	13.42

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 26

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change... On day 0 on week +0¼

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

World Bank to bring bond issues in three currencies

By Stephen Fidler, Euromarkets Correspondent

THE World Bank made its presence felt yesterday in three currency sectors of the international bond market, bringing issues denominated in sterling, Swiss francs and yen.

In Eurosterling, Baring Brothers won the bidding for a £100m transaction, proceeds from which are being swapped into floating rate D-Marks. The issue, which hit the market before news of the British Chancellor's resignation, reopened and doubled in size a bond issue it originally brought on August 1.

The latest tranche of the new issue, maturing in August 1994 and carrying a 10⅞ per cent coupon, was priced at 98.6 plus accrued interest. A small group of three British houses was invited to be co-lead managers, allowing Baring to exert more discipline over the selling group, to whom it strongly suggested a reoffer price of 97.1 plus accrued.

The bonds, with fees nominally set at 1⅞, came at 63 basis points over the 10 per cent Gilt of 1994. This compares with 46 basis points for the original tranche, which was trading at 59 over yesterday morning before the launch. It gives an indication of the way yield premiums have widened recently, even for the highest quality borrowers.

Although a handful of bonds were offered outside fees, the issue appeared to be reasonably well received, the lead manager saying that half of its bonds had been sold by late afternoon.

However, the Bank's foray into the Swiss franc market, which has been quiet of late, was not well received. The 10-year issue carried a 6 per cent coupon and a 101¼ issue price, and was brought by Credit Suisse. The SFr100m issue can be raised to SFr150m, but it took a discount of 2 percentage points to the issue price to bring in demand.

The only borrower to bring a straight dollar issue was Kyushu Electric Power, the latest, but not the last, of a number of Japanese borrowers to take advantage of fairly favourable swap rates.

INTERNATIONAL BONDS

The $200m issue, through Yamaichi International (Europe), carries a seven-year maturity and an 8⅞ per cent coupon with an 101⅞ issue price. Yamaichi and IBJ International underwrote $63.25m each of the issue with a further 21 underwriters underwriting $3.5m each.

The yield spread above US Treasury paper — 77 basis points on a semi-annual basis — was more generous than for earlier similar deals, which were not enthusiastically received. However, the earlier deals have subsequently weakened in price and the consequent enhancement in yields made the Kyushu deal look less than generous. The deal ended the day at a discount equivalent to its 1⅞ per cent fees, but at various times over the day, brokers had been quoting at a deeper discount and the support of the lead manager appeared to have been necessary.

Some syndicate managers feel the Japanese houses have not managed the latest string of dollar-denominated deals very well. With an opportunity to enhance the market reputations of Japanese borrowers, which should appeal to investors as almost free of the event risk which plagues corporate borrowers from other countries, the firms have failed to do so. Presumably, they have bowed to pressure from borrowers and tried to extract the finest possible terms, making a fixed-price reoffering impossible to manage.

"We have been unable to persuade our clients to use a fixed-price reoffering," said one syndicate manager.

In the equity warrant market, Toshiba Corporation, the electric machinery maker, brought a $1.2bn, four-year deal through Nomura International with an indicated coupon of 3⅞ per cent, in line with recent levels on four-year paper. The bonds jumped to a premium, quoted at 103⅞ bid late yesterday, benefiting from the Tokyo Stock Market's buoyancy yesterday and from a perceived shortage of securities in dealers' hands. It is the largest issue of its type since the early days of the month.

Brazilian futures markets to reopen

By John Barham in Sao Paulo

BRAZIL'S stock index futures and options markets will be allowed to reopen from today, ending a four-month suspension.

The National Monetary Council, a government body that legislates on financial affairs, sanctioned the return of the markets under tighter regulations designed to prevent the price manipulation and rampant speculation that led to their closure.

The authorities closed the markets in June after Mr Naji Nahas, a wealthy local speculator, provoked a share price collapse by failing to honour debts to the market. Mr Nahas has gone into hiding. He is wanted by the police on charges of manipulating share prices.

The council approved new regulations drawn up by the Comissão de Valores Mobiliários (CVM), the capital markets regulator, after exhaustive negotiations with representatives of the financial sector.

Mr Fernando Carramaschi, a leading stockbroker, said: "We are not happy with all the regulations, but we are pleased that the markets are reopening. They are vital hedging instruments and are especially important now that we are in a very important political and economic situation." Brazil is to hold its first presidential elections in 29 years as inflation soars.

Trading volumes on the volatile options market were often greater than in the main equities market, provoking wild swings in share prices. Banks willingly financed speculators to the hilt, usually with the exchanges' approval.

The new rules restrict trading volumes on the futures and options markets, impose stiffer margin requirements and curb traders' access to credit. Concentration of futures contracts and options series in a few hands will be banned.

All trading will be examined once a week by external auditors, who will report directly to the CVM, undermining the exchanges' autonomy.

LIT faces loss on UAL options

By Katharine Campbell

A BREAKDOWN in internal risk management procedures governing the activities of three options traders with positions in UAL stock has forced LIT Holdings, the transatlantic financial services company, to say it expects to make a loss in the second half of the year.

The problems arose in the company's US futures and options brokerage and clearing operation, LIT America, as a result of the US stock market's sharp fall two weeks ago.

Mr Christopher Castleman, the recently appointed chief executive, said the three traders had sold "naked put" options in UAL, a strategy broadly equivalent to owning the stock, before the Friday 13 October announcement that the financing of the US airline's management buy-out had fallen through. The option is traded on the floor of the Chicago Board Options Exchange, the world's largest options exchange.

The traders were allowed by LIT, their clearing agent, to hold the positions not only through Friday's $50 fall in the stock price to $230, but also through the further drop the following Monday to $194.

Mr Castleman said the decision to allow the traders to carry enormous positions over the weekend ran contrary to the firm's credit control systems. He noted that the market-makers had massively exceeded the size of positions they normally carried.

By Monday evening, the traders were unable to meet the margin payments demanded by the clearing house, forcing LIT to pay on their behalf. It will now seek to recoup losses from the traders. It is understood none of the three owned seats on the exchange.

Mr Castleman said the senior management of Shatkin Investment, one of four clearing divisions within LIT America, had been placed under review, and that Shatkin Investment had been subsumed into another division.

Criticising the firm's earlier drive for "quantity not quality" — having almost doubled in size in the last year, it now clears for 1,700 independent traders worldwide — Mr Castleman said the firm would pursue a much more selective policy in future as well as tightening its risk control procedures.

LIT Holdings made a pre-tax profit of £8.1m in the first half of the year. It now says it does not expect to pay a final dividend.

Old Lady glows after Ecu launch

Katharine Campbell on the start of trading in European futures

TRADING IN the new Ecu deposit future was off to a modest start on the London International Financial Futures Exchange yesterday — in the FT-SE futures pit.

There was a certain symbolism in the fact that the contract that marks for Liffe the "second plank" in its European strategy should find a home, for the first 30 minutes of trading, by brushing aside a domestic product.

It is at least partly because of the overwhelming — and unexpected — success of its foray into D-Mark contracts over the last year that the exchange has so dramatically outgrown the confines of the Royal Exchange and its own internal systems that locating a position on the floor for a new contract is a major headache.

But the second assault on the European market will be a good deal harder going. There have been plenty of scepticism surrounding the introduction of the three-month Ecu product. Ecu currency products have been a dismal failure on US exchanges. More importantly, an illiquid cash market is hardly the most propitious start for a successful futures contract.

Yesterday, a total of 2,030 contracts, representing a notional value of Ecu2.03bn, were exchanged. But about half of those were traded within the first hour, and dealers were saying they would be watching carefully how volumes developed in the next few days.

Eddie George: Ecu may become European currency

Mr Mario Cocco of San Paolo Bank, one of three firms which has committed to make markets for six months in the product, said: "If we settle down to an average of 1,000 contracts a day that would be an acceptable market."

Bank of England officials were glowing at yesterday's launch at what they see as a further important plank in their crusade firmly to establish London as the centre of Ecu trading.

Mr Eddie George, executive director of the Bank of England, said: "We (in London) now have all the main market structures necessary for the development of financial and commercial transactions in the Ecu, which is certain to become of increasing importance and which may even one day ultimately become the European currency."

Since the Bank's bold step a year ago to create an Ecu Treasury bill market in London, outstandings of UK government Ecu-denominated short-term debt has risen to Ecu2.6bn, and the central bank is known to be keen to expand its programme, particularly as other participants come into the market.

Asked if the Bank would be using the futures contract in its own money market dealings, Mr George replied wryly that the Bank "reserved the right to deal in all markets."

So far, London has, as the Bank would like, the largest share of the Ecu banking market. While the UK's share was 29 per cent, according to Bank of England figures at the end of June, Paris came a close second, with 24 per cent.

But the pie itself is small. Ecus account for just 2.5 per cent of external lending. There are a few active players — at the Belgian Kredietbank the Ecu deposit book is second in size only to the dollar book. And the idea that a futures contract can itself create the catalyst for the development of the underlying cash market is substantially untested.

As for further developments in the European strategy, Mr David Burton said yesterday that systems and space constraints would cramp the exchange's style until they moved to a new building.

Terms and conditions of a lease of the floor of the International Stock Exchange — alongside the London Traded Options Market — are virtually complete, but the three parties are still discussing how the tasks and costs of a massive refurbishment of the premises will be split. An announcement is expected in the middle of November, and Mr Burton said he hoped the exchange would move in the fourth quarter of next year.

Before then, the exchange plans to squeeze in an option on the recently introduced Euromark future, but Mr Burton suggested that any other new European contracts before the move might more appropriately be introduced on APT, the automated pit trading system Liffe will switch on, initially for restricted after-hours trading, at the end of November. "A short-term Spanish peseta contract, for example, might trade rather well in that environment," he said.

As well as being a vehicle for after-hours trading, APT is viewed as a suitable medium for trading less liquid contracts during normal business hours. A blot on the European horizon for Liffe is Matif, the much newer but in some months busier French futures exchange.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toshiba Corporation‡◆	1.2bn	(3⅞)	100	1993	2¼/1⅞	Nomura Int.
Kyushu Electric Power(f)◆	200	8⅞	101⅞	1996	1⅞/1⅞	Yamaichi Int. (Europe)
Hanwa Co.(e)‡◆	500	3⅞	100	1994	2¼/1⅞	Yamaichi Int./Yamatane
STERLING						
World Bank(g)◆	100	10⅞	98.6	1994	1⅞/1⅞	Baring Brothers
AUSTRALIAN DOLLARS						
Cr.Lyonnais Australia(f)◆	50	18¼	102	1992	1½/1	Hambros Bank
LIRE						
Cr.Suisse (Gibraltar)(f)◆	100bn	12⅞	101.46	1993	1⅞/1⅞	B.Nazionale del Lavoro
SWISS FRANCS						
World Bank(a)◆	100	6	101¼	1999	1⅞	Credit Suisse
Nippon Air Brake Co.(b)★★§	140	¼	100	1994	1½	Yamaichi Bank (Switz)
Mandom Corporation(c)★★§	80	¼	100	1994	1½	Nomura Bank (Switz)
YEN						
World Bank(d)◆◆	10bn	(d)	101½	1994	1⅝/1⅛	LTCB Int.

★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. ◆Reverse dual currency issue. a) Amount may be increased to SFr150m. Non-callable. b) Yield to put 3.428%. c) Yield to put 3.429%. d) Coupon first year 7.51% (semi-annual), 7.65% (annual) thereafter. Coupon payable in A$. Non-callable. e) Coupon indicated at 4⅜%. $100m launched in Asia via Yamatane Secs. f) Non-callable. g) Issue price plus accrued interest. Fungible with £100m bond launched in August.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 26 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Oct 25: Index No.	Tue Oct 24: Index No.	Mon Oct 23: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (208)	857.85	-1.2	12.94	4.94	9.46	27.02	868.48	862.96	881.87	819.47
2 Building Materials (29)	1008.46	-1.3	15.62	5.50	7.99	35.78	1021.87	1020.41	1058.56	1040.66
3 Contracting, Construction (37)	1346.78	-1.8	18.12	5.72	7.20	51.75	1371.61	1374.37	1402.69	1594.80
4 Electricals (10)	2472.04	-1.3	11.17	5.03	11.26	68.96	2504.64	2472.35	2539.91	2342.51
5 Electronics (30)	1910.75	-0.2	9.63	3.85	13.37	49.22	1915.22	1872.80	1951.62	1761.94
6 Mechanical Engineering (54)	460.35	-1.8	12.15	4.89	10.01	14.30	468.76	467.79	475.87	430.26
8 Metals and Metal Forming (6)	447.02	-0.3	23.00	6.70	4.79	15.15	448.49	447.79	452.81	494.88
9 Motors (18)	350.19	-1.5	11.34	4.95	10.34	9.97	355.63	352.37	355.35	287.26
10 Other Industrial Materials (24)	1591.96	-1.5	10.37	4.70	11.38	51.93	1615.76	1614.01	1643.84	1367.93
21 CONSUMER GROUP (184)	1212.77	-1.3	9.08	3.63	13.85	26.91	1228.58	1221.42	1248.02	1095.69
22 Brewers and Distillers (23)	1384.08	-1.2	9.45	3.56	13.24	28.11	1401.02	1389.29	1415.59	1149.61
25 Food Manufacturing (20)	1076.44	-1.3	9.49	3.97	13.30	25.28	1090.45	1087.38	1105.32	990.86
26 Food Retailing (14)	2304.92	-2.0	9.07	3.04	14.57	43.00	2351.65	2327.01	2348.87	1939.10
27 Health and Household (14)	2336.53	-0.9	6.69	2.05	17.81	39.12	2357.12	2345.80	2383.41	1929.02
29 Leisure (34)	1514.01	-1.7	8.62	3.79	14.30	37.26	1540.44	1538.09	1568.74	1406.59
31 Packaging & Paper (15)	530.82	-0.2	11.27	4.90	11.06	16.17	531.80	526.96	533.55	558.59
32 Publishing & Printing (18)	3463.58	-0.2	9.20	4.93	13.96	105.93	3468.88	3451.96	3483.34	3477.15
34 Stores (32)	752.92	-1.9	11.37	4.87	11.48	18.59	767.88	763.03	775.61	771.22
35 Textiles (14)	514.67	-0.7	11.11	5.71	10.92	15.74	518.26	512.83	514.34	523.87
40 OTHER GROUPS (93)	1088.87	-1.8	10.79	4.71	11.23	27.47	1108.26	1102.09	1128.98	920.61
41 Agencies (17)	1481.73	-0.1	7.12	2.44	17.32	25.00	1482.68	1468.48	1495.39	1085.23
42 Chemicals (22)	1162.55	-3.9	12.91	5.38	9.13	43.00	1209.95	1196.56	1209.31	1071.41
43 Conglomerates (13)	1545.69	-2.0	11.05	5.55	10.65	36.04	1578.03	1576.34	1608.75	1264.66
45 Transport (13)	2096.54	-1.4	10.65	4.47	12.00	56.50	2126.58	2113.75	2147.12	1959.13
47 Telephone Networks (2)	1077.87	-1.2	11.25	4.58	11.59	22.38	1091.04	1077.70	1098.18	981.18
48 Miscellaneous (26)	1769.12	-1.6	9.83	4.65	11.40	44.74	1797.07	1806.21	1837.75	1281.89
49 INDUSTRIAL GROUP (485)	1099.66	-1.4	10.55	4.27	11.70	28.00	1115.50	1109.02	1128.39	989.96
51 Oil & Gas (15)	2095.24	-1.4	10.34	5.41	12.78	87.50	2125.92	2118.64	2166.72	1733.87
59 500 SHARE INDEX (500)	1183.39	-1.4	10.52	4.43	11.84	32.85	1200.40	1193.91	1215.62	1053.48
61 FINANCIAL GROUP (121)	737.23	-0.8	–	5.66	–	28.17	742.93	738.95	748.93	696.17
62 Banks (9)	716.96	-1.5	24.06	6.97	5.46	35.17	727.76	726.62	744.46	675.42
65 Insurance (Life) (8)	1229.96	-0.8	–	5.16	–	47.56	1240.24	1234.54	1232.85	989.26
66 Insurance (Composite) (7)	641.25	-0.2	–	5.90	–	28.34	642.55	635.85	644.28	532.31
67 Insurance (Brokers) (7)	1044.52	-0.7	7.22	6.02	18.45	45.26	1052.37	1036.99	1029.51	964.65
68 Merchant Banks (11)	393.30	+2.3	–	4.30	–	9.70	384.31	384.63	389.79	350.10
69 Property (49)	1158.87	-0.6	7.73	3.54	16.35	21.42	1165.95	1154.80	1165.40	1295.07
70 Other Financial (30)	319.62	-1.1	12.42	6.85	10.49	13.25	323.24	323.07	326.08	375.10
71 Investment Trusts (68)	1170.71	-0.6	–	2.96	–	20.26	1177.91	1172.66	1179.61	935.02
81 Mining Finance (1)	622.31	-2.0	12.01	4.33	9.36	22.25	635.14	645.41	663.37	549.83
91 Overseas Traders (8)	1309.41	-1.9	10.47	6.11	10.96	48.84	1334.92	1312.29	1383.19	1355.84
99 ALL-SHARE INDEX (698)	1075.51	-1.3	–	4.59	–	31.38	1089.74	1084.01	1102.34	963.84

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 25	Oct 24	Oct 23	Oct 20	Oct 19	Year ago
FT-SE 100 SHARE INDEX‡	2129.4	-32.5	2160.8	2129.4	2161.9	2149.3	2109.7	2179.1	2109.3	1852.1

FIXED INTEREST

PRICE INDICES	Thu Oct 26	Day's change %	Wed Oct 25	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	117.27	+0.06	117.20	–	10.00
2 5-15 years	131.48	+0.22	131.19	–	11.60
3 Over 15 years	142.04	+0.28	141.64	–	12.00
4 Irredeemables	159.60	+0.01	159.59	–	13.42
5 All stocks	129.47	+0.18	129.25	–	11.28
Index-Linked					
6 Up to 5 years	138.98	-0.04	139.04	–	2.79
7 Over 5 years	138.04	+0.41	137.48	–	3.21
8 All stocks	137.99	+0.37	137.48	–	3.15
9 Debentures & Loans	109.18	-0.19	109.40	–	9.10
10 Preference	87.38	....	87.38	–	5.05

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 26	Wed Oct 25	Year ago (approx.)
British Government				
1 Low Coupons	5 years●	9.76	9.79	9.54
2	15 years●	9.47	9.51	9.13
3	25 years●	9.39	9.40	8.86
4 Medium Coupons	5 years	10.83	10.85	9.90
5	15 years	9.82	9.85	9.36
6	25 years	9.48	9.50	9.09
7 High Coupons	5 years	10.93	10.96	10.02
8	15 years	10.03	10.06	9.58
9	25 years	9.63	9.65	9.12
10 Irredeemables	†	9.48	9.48	8.85
Index-Linked				
11 Inflation rate 5%	5yrs.	3.63	3.61	2.79
12 Inflation rate 5%	Over 5 yrs.	3.62	3.64	3.61
13 Inflation rate 10%	5 yrs.	2.77	2.74	1.64
14 Inflation rate 10%	Over 5 yrs.	3.44	3.47	3.44
15 Debs & Loans	5 years	13.54	13.52	11.63
16	15 years	12.12	12.08	11.00
17	25 years	11.63	11.61	10.70
18 Preference	†	10.57	10.57	9.85

‡Opening index 2157.4; 10 am 2160.6; 11 am 2156.8; Noon 2152.3; 1 pm 2150.5; 2 pm 2141.2; 3 pm 2143.8; 3.30 pm 2144.8; 4 pm 2144.1 (a) 9.57am (b) 5.00pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. ● LOW COUPON GILT YIELD RESULTS: 20/10/89- 5yrs 10.01, 15yrs 9.60, 25yrs 9.49, 23/10/89- 5yrs 10.02, 15yrs 9.59, 25yrs 9.48, 24/10/89- 5yrs 9.94, 15yrs 9.53, 25yrs 9.44. FTA ALL SHARE INDEX:

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	81	7	15
Corporations, Dominion and Foreign Bonds	10	0	32
Industrials	222	669	705
Financial and Properties	127	217	332
Oils	20	28	47
Plantations	2	3	6
Mines	45	21	105
Others	53	87	116
Totals	560	1,032	1,358

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	3/11	135	117	Birse Group 10p	120		L4.25	2.3	4.7	9.2
§100	F.P.	–	128	100	‡Boxmore Intl. 10p	123		u5.2	1.9	5.6	11.9
§74	F.P.	–	82	63	‡Brandon Hire 10p	73	-1	u3.33	1.6	6.1	10.9
lr56	F.P.	2/11	71	56	‡Cambridge Group lr5p	68	-2	d0.7½%	14.8	0.5	17.5
§110	F.P.	–	119	98	‡Cooper Clarke Group 10p	100		u4.5	1.9	6.0	8.1
††	F.P.	21/11	81	66	*DSC Hldgs.	75		–	–	–	–
85	F.P.	–	96	63	‡Diamond Group Hldgs5p	65½		L1.13	4.7	2.3	12.3
□	F.P.	3/11	540	465	Drayton Asia Tst Units	518	+5	–	–	–	66.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	Nil	–	39pm	1½pm	‡Atlantic Res. Units	29pm	
195	Nil	22/11	½pm	½pm	Coppee (F.)	½pm	-½
75	Nil	21/11	¼pm	½pm	*DSC Hldgs.	½pm	
340	Nil	15/12	11½pm	½pm	F & C Eurotrust	5½pm	-1½
lr240	Nil	–	48pm	35pm	‡Fiogas lr10p	43pm	
72	Nil	–	2½pm	1½pm	Mount Charlotte Invs. 10p	1½pm	
160	Nil	22/11	20pm	2½pm	‡Musterlin Group	6pm	
105	Nil	–	1½pm	1½pm	‡Riva Group 10p	1½pm	
150	Nil	–	5pm	½pm	Seafield	½pm	
lr80	Nil	–	8pm	7pm	‡Xtra-Vision lr5p	7pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ● Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. ° Third Market. ‡ Price at suspension. ** Units comprising 12 ord & 5 warrants attached.

TRADITIONAL OPTIONS

- ● First Dealings Oct 23
- ● Last Dealings Nov 3
- ● Last Declarations Jan 25
- ● For settlement Feb 5

For rate indications see end of London Share Service

Calls in Atlantic res, Asda, Hobsons, Polly Peck, Cronite, Recehm, Ketson, Grootvlei, Control Secs Put Rechem.

LONDON TRADED OPTIONS

THE LONDON Traded Options Market had a quieter session after the flurry of business on Wednesday when October options expired. The main focus of attention was the movements in the stock market, which continued to sag under pressure from Wall Street.

The FT-SE 100 index option market was given a boost mid-morning as one large programme trade was executed. The order was the first sign that an institution had returned to the options market in any size since the middle of October. Just less than 8,000 put contracts, spread across the October, November and December series, were bought and sold. The transaction was reflected in the volume figures.

The FT-SE turned over 12,898 contracts, little changed from Wednesday. It was divided between 3,883 calls and 9,015 puts.

Apart from the one large trade, institutional activity remained small-scale. The uncertainty on the London stock market and nervousness in New York kept turnover on the stock option market down. The FT-SE opened down 4.5 points at 2,157.4. By midday it had started to slip and by the time Wall Street opened it was down 20 points. At the close London was down 32.5 points at 2,129.4. The expiry of the October FT-SE option on Tuesday had also begun to spark off some rolling over of contracts and closing of positions. Total turnover was 38,988 contracts, divided between 22,272 calls and 16,716 puts.

Among the individual stock options, ICI's lower-than-expected fall in earnings generated interest, with put sellers in evidence. Ferranti was well traded, reflecting activity in the underlying share. Ferranti turned over 2,854 lots, of which 2,754 were calls and 100 were puts. The busiest series was the January 70 calls, which turned over 1,501.

Elsewhere, British Steel was briskly traded in active two-way business, evenly divided between calls and puts. It traded 2,819 contracts, of which 2,565 were calls and 254 were puts. The busiest series was the April 135 call, which turned over 1,580 contracts.

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov	Jan	Apr	PUTS Nov	Jan	Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2140)

[illegible]	[illegible]

UK COMPANY NEWS

ICI shares tumble 73p as third quarter profits decline to £306m

By Clare Pearson

THIRD QUARTER results of Imperial Chemical Industries, Britain's biggest chemicals company, yesterday emerged some £40m lower than expected at £306m, against £347m in the same period last year.

The disappointing results sent ICI's shares down 73p to 1097p and had a depressing effect on the rest of the stock market.

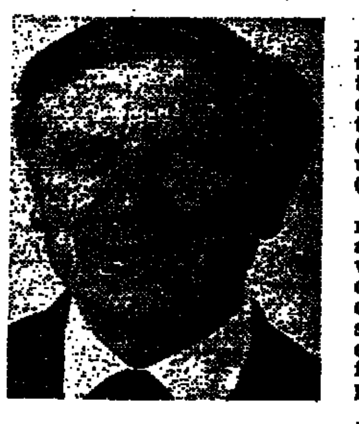
The result was scored on turnover of £3.21bn (£2.84bn). The nine-month pre-tax total came out 9 per cent higher at £1.23bn (£1.13bn), while sales stood at £9.85bn (£8.71bn).

Even allowing for seasonal factors which normally affect ICI during the summer months, the results were below expectations due to specific problems in fertilisers, films and paints, and a softening in demand in some markets, the company said.

ICI said it was aiming to deal with the adverse effects of lower demand for fertilisers in Western Europe by a streamlining of the UK operation, involving cuts in the salesforce and a rationalisation of production.

For the nine months, fertilisers posted a trading loss of £12,000, against £22,000 last time. The overall total for the agriculture division, where agrochemicals performed well, was £140m (£114m).

Within the consumer products division, pressure on margins in paints was caused by the weakness of the decorative sector in the UK and US, and difficult market conditions were experienced in films. These setbacks more than offset a substantial improvement in pharmaceuticals profits to give £439m (£443m) in operating profits for the division.



Lord Chilver: a non-executive director from January 1 1990.

By contrast, the central petrochemicals and plastics activities defied expectations that they would suffer a decline in demand. For the nine months, they contributed £322m (£228m) to an industrial products division total of £623m (£546m).

Earnings per share for the nine months worked through at 108.3p (99.7p), a rise in line with pre-tax profits. The 13 per cent rise in turnover broke down into 4 per cent for higher sales, 4 per cent for favourable exchange rates, and 5 per cent for increases in local selling prices.

Lord Chilver, chairman of the Universities Funding Council and also of English China Clays, has been appointed a non-executive director of ICI from January 1 1990.

See Lex

FKI chairman forced to sell Babcock stake

FKI's failure to sell its North American operations has forced Mr Tony Gartland, the electrical group's chairman, to sell his 5.3 per cent stake in Babcock International Group, the engineering company born out of the FKI Babcock demerger earlier this year, writes **Andrew Hill.**

The sale of nearly 25m shares will have realised more than £13m for Mr Gartland, which he is expected to use to set up a new regional corporate finance group with colleagues from FKI.

Mr Gartland had hoped to finance his new financial services venture from a special dividend of between 50p and 70p per share, which FKI shareholders would have received had the North American operation been sold.

But that deal fell through last month after the deterioration of the US subordinated debt market forced the potential buyers to reduce their tender prices.

General Motors declares its intention to buy Jaguar stake

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS said yesterday that it had informed the US anti-trust authorities of its intention to buy an equity stake in Jaguar, the UK luxury car maker.

The move is GM's first official step into what is expected to become an all-out bidding contest between GM and Ford, the world's two biggest automotive groups, for control of Jaguar.

Jaguar had already announced that GM was considering taking a minority stake in the company, and that the two companies were negotiating a series of far-reaching "manufacturing, marketing, and other commercial joint ventures."

Ford is pursuing its hostile interest despite a rebuff from Jaguar management, and is currently buying a stake of up to 15 per cent, the maximum allowed by Jaguar's articles of association.

Ford, GM's arch domestic rival, began buying shares in Jaguar last month and is believed to have paid more than £150m for its currently-held stake of 12.45 per cent.

It said earlier this week that it had paid £181.58m for its initial 19.85m shares, a stake of 10.82 per cent, at prices ranging from 431p to 727p per share.

In London yesterday Jaguar shares closed at 720p, a gain of 4p.

GM said yesterday that it had filed its intention to buy a stake of more than $15m in Jaguar, with the US anti-trust authorities, a legal requirement under the Hart Scott Rodino Act.

It refused to disclose the size of the stake it had notified to the authorities, but as in the Ford case it is presently restricted by the Jaguar articles of association to a maximum stake of 15 per cent.

GM is limited to buying shares to a maximum value of $15m until it receives the approval of the US anti-trust authorities. This is expected within 30 days.

Jaguar's articles of association can only be changed with the consent of the Government, which holds the so-called golden share, and the approval of three-quarters of the Jaguar shareholders.

The golden share expires at the end of 1990, and it is understood that Jaguar and GM are unlikely to seek its early removal, as this provides at least some temporary protection from an all-out takeover bid from Ford.

Gateway's failed defence cost £31m

By Nikki Tait

A HEFTY £31m was incurred at Gateway, the UK food retail group taken over by the newly-formed Isosceles consortium earlier this year, in a combination of defence costs, compensation payments to directors and sums paid under the "phantom incentive scheme."

The figure is disclosed in a circular from Isosceles to its shareholders, giving details of the company's open offer.

The offer has been expected since August, as a result of Isosceles' agreement with rival bidder, Newgateway. This allowed Newgateway to exchange a holding in Gateway for a similar-sized stake in Isosceles.

Last night, no precise breakdown of the £31m expenditure was available. However, in the course of the £2bn-plus leveraged bid, Gateway revealed that if an offer was made at 230p per share – the level of Isosceles' final cash terms – the cost of the phantom incentive scheme would be £11.84m.

Phantom schemes work on a similar principle to conventional share option schemes – with holders of the incentives being entitled to the difference between a base share price and the share price ruling when the incentives are exercised. However, unlike normal option schemes, they do not involve the issue of shares to participants. The cash sums are instead paid out by the company.

No figure for the payments to former directors of the food retail group has ever been reliably established, but it is believed to have run into several million pounds.

In terms of defence costs, Gateway used the services of three merchant banks – Morgan Grenfell, Lazard Brothers and Lazard Freres. In the previous – unsuccessful – bid battle for Gateway from Barker & Dobson a year earlier, defence costs of £14m were incurred using the same team of banks.

Kalamazoo chief resigns as losses reach £4.08m

By Nikki Tait

KALAMAZOO, the office stationery and business systems company, yesterday announced that Mr Tom Garnier, chairman, was leaving the board.

The group also unveiled full-year figures to end-July 1989, showing a £4.08m loss before tax, compared with a £2m profit last time, and said no dividend would be paid for the year (2p).

Mr Garnier's departure is the latest in a series of board changes at the company – including the resignation of Mr Rufus Bond Gunning as managing director earlier this year, only seven months after being appointed.

However, Kalamazoo claimed yesterday that the departure was amicable and had been planned for some time. Mr Garnier, who has been with the company since 1956, had "become more and more invovled in external interests", it maintained. Among these outside interests is the role of president of Birmingham Chamber of Industry and Commerce.

Kalamazoo added that Mr Garnier would receive some compensation, but strictly in line with his service contract. It said it did not expect the figure to be large.

Mr Kenneth Dibben, a former corporate finance director at Hambros Bank and a non-executive director of the group, will take over as chairman.

Kalamazoo is still looking for a new managing director to take over from Mr Bill Nickoll who returned to the post on a temporary basis, when Mr Bond Gunning left.

Kalamazoo made a £2.29m loss in the first half of the year, and in the second six months managed to pull back to a very modest trading profit. At the pre-interest level, the company made £43,000 on sales of £34.6m – compared with a loss of £1.18m on sales of £29.8m in the first six months.

However, interest charges rose in the second six months, giving a charge of £800,000 for the year. By the year-end, net debt stood at around £10.6m, compared with net assets of around £19.5m.

Some major redundancies, reducing staff by about 116 people during the financial year and by another 146 after the year-end, cost the company a hefty £2.14m. The workforce currently stands at around 1,400. There is no bonus payment to the Kalamazoo Workers Association.

Kalamazoo said that it hoped the cost base had now been substantially reduced – to the tune of £2.4m a year – and that no further significant redundancy payments would be required. On current year prospects, it added that the first two months trading had "met management's plan for restoring profitability."

The shares fell 3p to 25½p.

Hays 'not unhappy' with first day deals

By Clare Pearson

FIRST DAY dealings in Hays' shares yesterday proved a relief for the business services group unfortunate enough to have its £166m offer for sale coincide with the recent sharp fall in the market.

The shares, which opened at 98p, had risen to around 100p by mid-morning and held firm against a falling market to close at 101p, 4p below the 105p issue price.

Dealing was brisk amid what SG Warburg Securities, brokers to the flotation, described as encouraging support from the sub-underwriters of the issue.

Mr Ronnie Frost, Hays chairman, said he was "not unhappy" about yesterday's dealing levels. Only weeks ago, he had been hoping to float the shares at a price of around 140p.

Last week, just 8 per cent of the 169m shares available in the offer for sale were taken up as institutional and private investors shunned it amid severe nervousness in the stock market.

The 105p issue price was struck on the evening of October 9, days ahead of the severe deterioration in equity market sentiment and prices which started in New York two weeks ago. Since then, the FT-SE 100 Index has fallen from 2,247 to 2,129.4 at the close yesterday.

Willis Faber sale will help reduce borrowings

By Patrick Cockburn

WILLIS FABER's decision to sell its 20.4 per cent stake in Morgan Grenfell to Banque Indosuez signals a decision to concentrate on insurance broking and reduce its borrowings.

Mr Roger Elliott, chairman, said Willis Faber could find better uses for the £137.4m paid for the holding, although it had proved a "fantastically good investment" since it was first acquired in 1967.

The company had no immediate plans for investing the proceeds, but its balance sheet would be improved by the elimination of £128m in short and medium term debt.

Mr Peter Stevens, managing director for corporate affairs, added that Willis Faber had been seeking a purchaser for the stake for some time, but probably with greater vigour since Mr Elliott became chairman last November.

Mr Elliott stressed that with high interest rates this was a good time to eliminate borrowings. Morgan Grenfell's share price had been volatile over the past three years and having the money in cash would produce earnings of higher quality.

Morgan Grenfell contributed £6.4m to Willis Faber's 1988 pre-tax profits. At that time the stake was held in the balance sheet at a book value of £66.6m.

Monks & Crane takeover expected

By Jane Fuller

Monks & Crane, the USM-quoted distributor of industrial tools and fixings, said it was likely to be taken over, with the deal being settled once its interim results were known.

Mr Albert Spacie, chairman, said there had been at least half a dozen serious suitors. One company headed the list "but we have a second and third as well".

In the year to March 31, the company made a pre-tax profit of £2.5m on turnover of £46.6m. Forecasts for the current year have been revised down as far as £2.25m.

Yesterday the share price, which stood at 125p early this year, was 64p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Airflow Stream ......int	2	Jan 3	2	-	6
Alva Inv Trust ......fin	1.5	-	1.3	2	2.6
Brown (N) ......int	1.575†	Jan 11	1.5	-	5
Globe Inv Trust ......int	1.78	Jan 3	1.61	-	4.98
Kalamazoo ......fin	nil	nil	1.5	-	2
Moss Bros ......int	1.5	Dec 8	1	-	4
Nat Home Loans ......fin	4.74	Jan 12	3.75	8	7.01
Pegasus Group § ......fin	7.825	-	5.25	11.2	7.5
Walker Greenbank ......int	1	Dec 4	1	-	2.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alpine Group, Aran Energy, Bertam, Central & Sheerwood, Clayton, Craig & Rose, Delyn Packaging, Expedier Leisure, Ferguson Industrial, Govett Strategic, Hopkinson, Lancs, NEC, New Throgmorton Trust, Radamec, Waverley Mining.

Finals- AC Holdings, Clydesdale Investment Trust, GC Flooring & Furnishings, Maxiprint, Star Computer.

FUTURE DATES

Interims-

Cater Allen	Nov. 17
Cook (William)	Nov. 1
Gresham House	Oct. 31

UK COMPANY NEWS

NHL tops expectations with £33.6m

By David Barchard

NATIONAL HOME LOANS Holdings announced pre-tax profits of £33.6m for the year ending September 30, compared with £26m last time.

Mr John Darby, chairman, said that the result had exceeded expectations in a market where there had been a drop in demand and increased competition from other lenders.

Analysts agreed that the group had performed well in spite of the downturn in the housing market.

During the year the company underwent a restructuring, in the course of which a banking subsidiary, the National Mortgage Bank, and a commercial mortgage subsidiary, Business Loans, were created.

Mortgages completed were £1.3bn, unchanged from the previous year, but total assets under management rose from £2bn to £2.85bn.

During the year NHL securitised £800m worth of mortgage assets as part of its securitisation programme.

Net interest income was £40.3m (£29.45m) while other operating income was £10.97m (£7.02m).

Total operating income for the group was £51.3m (£36.5m). Operating expenses rose to £19.58m (£13.4m).

Earnings per share on a fully diluted basis were 14p (12.9p). A final dividend of 4.74p is proposed, bringing the total dividend for the year to 8p (7.01p).

Trevor Humphries

Richard Lacey, chief executive, (left) and John Darby, chairman: a good result despite falling demand and increased competition

● **COMMENT**

National Home Loan's results allay any fears that its conspicuously strong drive to diversify into new lines of business was simply a short term response to the problems of the housing finance market. Though much of the business it has being doing in 1989 is re-mortgages and its margins are under pressure, it has clearly held its own in difficult times. So far arrears problems have not become a serious concern. Though there is little about which to be optimistic when considering prospects for the housing market during the first half of next year, NHL seems better placed than most of its rivals among the new lenders to ride out the storm, not least because its new subsidiaries should begin contributing to group profitability during the coming year.

Pegasus up to £3m and forges Italian link

By Alan Cane

PROFITS AT Pegasus Group, the USM-quoted computing services company specialising in accounting software for microcomputers, have risen for the third successive year since the company underwent a management reorganisation in the mid-1980s.

Pre-tax profits of £3.08m for the year to July 31, represented an increase of 49 per cent on the previous year's £2.07m.

The company also announced a strategic alliance with ESA, an Italian-based producer and distributor of packaged software, which it claims will create the first company serving the pan-European market for software based on "open systems".

Revenues rose 43 per cent to £10.67m. Earnings per share rose 52 per cent to 36.7p. The recommended final dividend of 7.825p gives 11.2p (7.5p) for the year.

Pegasus has its origin in the development of a suite of accounting software designed for the midrange microcomputer marketplace, where it is the market leader.

Its association with ESA, said to be the largest Italian packed software distributor with annual turnover approaching £23m, involves the formation of a new company, Osprey Software, based in the UK and owned equally by the two parent companies.

The products will be suitable for use with Unix, the operating software which the computer industry now believes will be the basis of "open systems", where packaged software can be run on a variety of computers irrespective of manufacturer.

The Osprey initiative is a major turning point for Pegasus, representing a move away from its dependence on the increasingly competitive market for accounting software and computer supplies.

Last year it acquired Sphinx, the leading UK-based Unix software distributor, for £1.63m cash plus 0.75m in ordinary shares. In spite of this acquisition, year end cash balances increased by £460,000 to £2.63m.

The company said it was looking for further acquisitions in the UK especially in the areas of computer-aided design and graphics and believed that in the present financial climate it would be able to make secure deals comparatively cheaply.

New abode for Conrad holding

By Clay Harris

MR MAX Lewinsohn's former shares in Conrad Continental, the Manchester-based supplier of fashion accessories and leather garments, have found a new home in Liechtenstein after a short rest in Switzerland.

West Anglia Establishment, a Liechtenstein company deemed to be acting in concert with one of Conrad's executive directors, yesterday disclosed that it had bought 2m shares (15.16 per cent) from Geneva-based Magnum Industries.

Magnum had acquired 1.43m of them only a few days previously from a private company controlled by Mr Lewinsohn, Conrad's deputy chairman.

The purchase increased to 23.6 per cent the total holding by West Anglia and eight individuals and a nominee company considered to be acting in concert.

They include Mr Andrew David Crewe, a Conrad director, and his brother, Prof Ivor Crewe, the TV election-night pundit and chairman of the University of Essex government department.

Prof Crewe was in the US yesterday, and no Conrad directors were available to comment.

The price of the latest purchase was not disclosed, although Conrad shares closed yesterday at 70p.

John Mowlem pays £9.5m to expand scaffolding division

By Jane Fuller

JOHN MOWLEM, the construction group, has bought Evans (UK), a privately-owned supplier of building equipment, for about £9.5m in cash and shares.

Evans, which sells and hires out non-mechanical equipment from 12 branches, will dovetail into Mowlem's scaffolding services division as a subsidiary of Boulton Scaffolding.

Consideration for the deal consists of £755,000 cash, £2m in two-year loan notes and 2m Mowlem shares.

When the number of shares to be issued was negotiated, some months ago, Mowlem's shares were worth more than 400p each, which would have made the total price nearly £11m. With the shares closing down 18p to 335p yesterday, the value is over £1m less.

Mr Clive Beck, deputy chairman, said Evans was bought from its chairman, Mr Bill Reid, who was a long-term investor in Mowlem and "relaxed" about short-term movements in the share price.

Mr Reid will retain at least 70 per cent of the 2m Mowlem shares for two years, with further restrictions applying after that. He is retiring as chairman and joining the board of SGB Holdings, the division's parent company, as a non-executive.

Evans, which is oriented towards commercial and industrial projects rather than housebuilding, reported pre-tax profits of £913,000 for the year to April 30 and net assets were valued at £3.86m.

Mowlem does not expect the acquisition to dilute this year's earnings.

On the outlook for the construction industry, Mr Beck said there was still a high level of activity although things might not be so buoyant in 1990-91.

Australian gold property sales will lose Ennex $5m

By Kenneth Gooding, Mining Correspondent

Ennex International, a USM-quoted mining company, will suffer a loss of $5m (£3.15m) from the sale of its 20 per cent interest in two gold properties in Western Australia.

However, Ennex stressed that its working capital will increase by $8m, "which represents a significant improvement over the $113,000 deficit reported in the second quarter to June 30".

Whim Creek, an Australian company now owned by Dominion Mining, will pay about $8m for the Tower Hill and Labouchere gold properties, including $5m cash and $3m as payment by Whim Creek of net joint venture liabilities incurred since December last year.

Ennex, based in Dublin, said its investment in Australia had been "disappointing" and that it would now concentrate its efforts principally in Ireland and Scotland.

JMD shares rise on news of bid approach

By Clay Harris

Shares in JMD Group rose 4p to 28p yesterday after the USM-traded distributor of greeting cards and fluffy toys said it had received a takeover approach.

Mr Keith Moss, chief executive of the company, formerly John Michael Design, said agreement had been reached on principle and on price, but final checks were being made on each side.

The possible bidder has a larger market value than JMD's £13.8m, but the combined group would be a marriage of equals, he said.

Before a reverse takeover in June 1988 by Capital and Investment Securities, where Mr Moss was chief executive, JMD entered but did not consummate two sets of talks with suitors.

Klark-Teknik

Turnover rose from £5.2m to £6.8m in the year to July 31. An incorrect figure was quoted for 1987-88 in Tuesday's report because of a news agency error.

Swallowfield buys cosmetics maker

Swallowfield has conditionally agreed to acquire Atlas Group, a cosmetics maker, for a total consideration, payable to 31 Securities, of £1.48m.

On completion, Swallowfield will issue a guarantee in respect of a loan of £1.01m due from Atlas to the vendor.

Consideration will be satisfied as to about £483,000 by the issue of 328,759 new ordinary shares and as to £1m by the issue of 1m new convertible preference shares. NatWest will buy the shares issued to the vendor at 147p per share, and is intending to place them with institutional investors at that price.

Klearfold lower at midway as annual outcome is restated

By Clay Harris

KLEARFOLD, the US plastic packaging manufacturer which is quoted only in London, has restated its 1988 results to show lower pre-tax profits. It has also reported a fall in profits for the first half of this year.

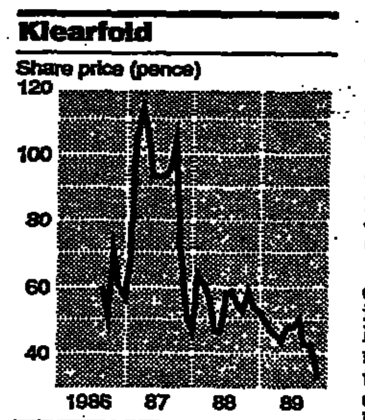
Klearfold said its audited results for 1988 now showed a pre-tax profit of $981,000 (£610,000) against the $1.86m originally reported and the $1.65m achieved in 1987.

The revision reflected a change in accounting policy following the appointment of Laventhol & Howarth as auditors to replace Peat Marwick & Main, with which Klearford said it had disagreed about the 1988 audit.

Adjustments included a change to the technique for valuing stocks, revisions to the depreciation schedules and the re-allocation of certain expenses. Accounts receivable had also been updated to take account of information not available when the preliminary results were announced in March.

Klearfold

Share price (pence)



Klearfold said the adjustments were "principally non-recurring."

In the six months to June 30, pre-tax profits fell by 26 per cent to $705,000 ($950,000) on turnover ahead by 18 per cent to $13.1m ($11.1m). On earnings per share of 4.7 cents (6.6 cents), the gross interim dividend is unchanged at 1.8 cents.

The company also posted a circular giving more details of its acquisition of 51 per cent of PTP Industries, a private Baltimore-based manufacturer of thermoformed packaging. The deal, which was announced in March, is subject to approval by an egm on November 15.

Klearfold shares yesterday fell 1p to 36p, the lowest point reached since the company came to market in January 1986 with an offer for sale at 118p.

NEWS DIGEST

All-round demand lifts Airflow

INCREASED DEMAND in all divisions helped Airflow Streamlines, the motor body engineer and Ford main dealer, lift pre-tax profits from £1.68m to £1.72m in the half year to August 31 1989.

Directors said that companies within the manufacturing division experienced an increased level of demand for their products and services, while in the motor division sales of new and used cars and related services were maintained at a high level.

A reduction in demand was expected in some sections of each division and that, coupled with a high level of interest rates and other increased costs, was of some concern, they said.

However, a related cost improvement programme was being implemented, and investment in new and improved facilities would continue.

Turnover advanced from £28.84m to £35.35m. The interim dividend is held at 2p, with earnings of 12.74p (12.43p).

Mount Charlotte debenture stock

Mount Charlotte Investments, the hotel group, has placed a second £100m tranche of 10.75 per cent first mortgage debenture stock 2014 at £95.008 per £100 nominal, for a gross redemption yield of 11.358 per cent.

Applications for Mount Charlotte's £151m rights issue of ordinary shares, launched on September 28 to provide part of the finance for the £645m Thistle Hotels acquisition from Scottish & Newcastle Breweries, close on November 13.

It will be the second largest rights issue of ordinary shares to close after the mid-month slide in share prices. From 80¼p on the day the issue was announced, Mount Charlotte shares have fallen to 72p, equal to the offer price.

US computer group reduces losses

Sanderson Electronics, world-wide computer services group, announced the annual results of General Automation, the Californian group in which it has conditionally agreed to acquire up to 51 per cent.

GA, which is also involved in computer services, reduced losses to $1.64m for the year to June 30, due to a continuing recovery in the fourth quarter. Pre-tax profits of $126,000 were achieved in the three months on sales of $10.25m. In the third quarter GA achieved a turnround from the first half's losses to profits of $103,000. Expenses were reduced by about $7m (33 per cent).

T Robinson to buy fastener maker

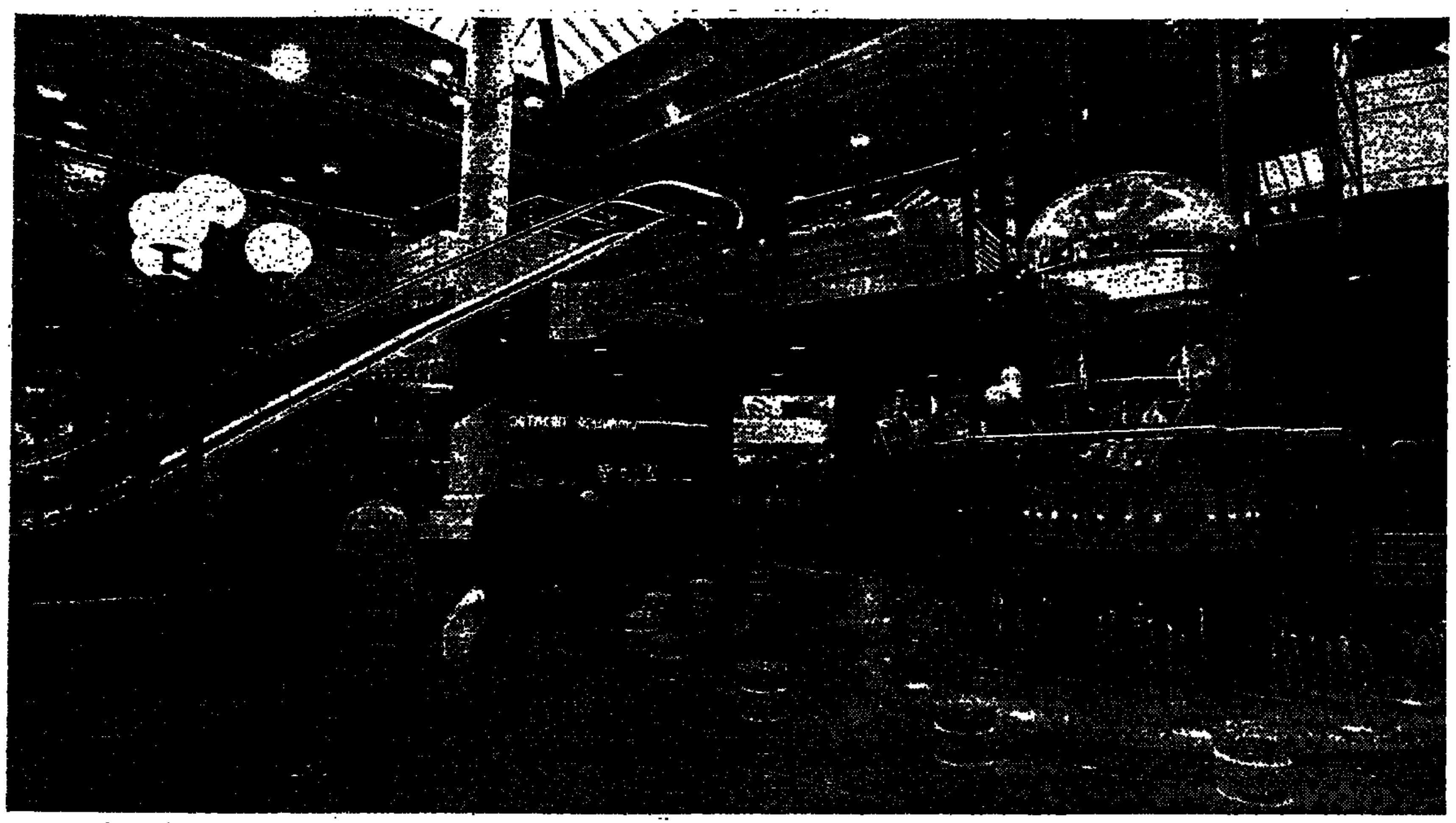
Thomas Robinson, the engineering group, is to buy European Industrial Services, a West Midlands-based manufacturer and distributor of metal fasteners. It will pay a £400,000 premium over net assets, which stood at £6.69m at the end of 1988.

Robinson has made an initial £5.3m payment subject to increase after audit. In 1988, EIS lost £1.37m before tax on turnover of £34.45m.

About 80 per cent of EIS's UK turnover is manufactured at Smethwick, where its main products are a broad range of screws.

FINANCIAL TIMES SURVEY

Last year saw a record number of shopping-centre openings, but growth in consumer demand has slowed. The fear now, says Patrick Harverson, is that another rise in interest rates would lead to a recession, leaving the sector with more retail sites than are needed.



■ The Metrocentre, at Gateshead (*left*), is Europe's biggest out-of-town shopping mall. On page 4 of this survey, we talk to its manager, John Bryson, about the centre's development and his own role.

Picture: Alan Harper

ALSO IN THIS SURVEY
Retail parks; Town centres;
Regional centres 2
Design; Planning;
Refurbishment 3
Rates & rents; Occupiers 4

RETAIL PROPERTY

Confidence undermined

THE ONE-point rise in interest rates, to 15 per cent, earlier this month sent a distinct chill through the retail property market in the UK.

As one agent said, on the Monday after base rates had gone up: "Until last week, I was quite confident about the outlook for the retail property market. Now I'm not so sure."

The slowdown in economic growth this year, together with high interest rates and rising inflation, has undermined the confidence of everyone in the market — consumers, retailers, investors and developers alike. Annual growth in retail sales is at its lowest for seven years.

Now that interest rates are up to their highest level for eight years, and appear likely to stay there until well into next year, that fragile confidence will be dented further.

With all this gloom in the retail world, the outlook for retail property might be expected to be equally black. Recent statistics, however, tell a different story.

Last year in Britain there was a record number of shopping-centre openings. According to figures from chartered surveyors Hillier Parker, 10.3m sq ft of new retail space was opened in 1988 — over 9 per cent more than in 1987. A massive 28m sq ft is currently under construction, and this rate of growth will be more than maintained for the next three years, says Hillier Parker.

Many operators in the market remain surprisingly confident. Sandy Paskins, of Chesterton, the chartered surveyors/property consultants, is looking forward to a good 1989 and 1990: "The years 1987 and 1988 were extremely buoyant, where you had a property market in which nothing was available and rents and premiums were forever being hiked up. What is happening now is that we are returning to a more stable market."

Yet there are some early warnings. The most recent Investment Property Databank monthly index showed that, in August, rental value growth of 0.6 per cent for retail property was the lowest of the year to date. Moreover, the annual rate of capital growth on retail property fell below 10 per cent in August for the first time since IPD launched its index in 1980.

Although consumer spending has held up more than the Government may have liked, retailers have, almost without exception, suffered from a sharp downturn in domestic demand. Spending on fashion clothing, furniture, DIY goods, electrical appliances and electrical goods has been very sluggish.

In particular, anything to do with the housing market, which could now be heading for the first major slump since the early 1970s, has been hit hard. The exceptions are food stores, which traditionally hold up well in difficult times, and retailers of "small-ticket", or relatively low-cost, items. Newsagents and budget jewellers are two good examples.

Expenditure on services by consumers has held up well, despite the hostile borrowing climate. People are still happy to spend more on eating out, holidaying both at home and abroad, visiting the theatre and cinema and other leisure activities, but this is of little comfort to the retail property world.

The affect of slow sales in the high street on the shop property market has yet to be fully felt. There has always been a considerable delay before fundamental developments in the retailing world have worked through to the property market.

This is because developers like to wait for firm and consistent evidence that rents are rising before they decide to finance new retail schemes. The spectacular consumer spending boom of 1987-88 attracted huge development interest in retail property, as rents grew strongly alongside retail sales.

The result was a rather belated rush of new investment in shop developments of all forms: retail parks, in-town and out-of-town shopping centres, regional shopping centres, and giant complexes like the Metrocentre in the North-east.

But these developments take three to four years to plan, design and build, and today many property developers are seeing their schemes open at just the time when spending is turning down and costs are rising.

As County NatWest explained in a recent circular: "In the current [consumer] boom, the time-lag has been four to five years, with new town-centre space emerging with a vengeance in 1990 and 1991 when no retailers will really want it." Serious overcapacity is on the horizon.

Yet the retail property market has always faced the problem of overcapacity: "What we'll have is what we always have — space coming on stream at the wrong time," says Russell Schiller, of Hillier Parker. "This is almost impossible to avoid, because of the long lead-in times and the development period taking so long."

Others in the industry are adopting a less sanguine attitude: "Overcapacity has not yet happened, but everything tells us that, with the amount of retail space coming on the market, something will have to give," warns John Wills, of Healey & Baker. What is most likely to give are rents, the growth of which is rapidly slowing from the peaks of over 20 per cent growth in 1988.

As if slowing consumer spending, high interest rates and overcapacity were not enough, another dark cloud hangs over the retail property market in the UK: the arrival next April of the Uniform Business Rate (UBR) and revaluation of rates.

Although the phasing in of the UBR and revaluation will take the sting out of the new system, it will still increase costs for retailers, add to the squeeze on profit margins and earnings, push rents down and put the shop property market under yet more pressure. The retail property sector is likely to be harder hit than the industrial or office property sectors, because shop rents have risen much faster than office and industrial rents since the last rateable level was set in 1973.

The Inland Revenue calculated, in a recent study, that rate bills in the shop market would increase by 18 per cent across the country; while some City property analysts predict that, in certain areas, especially in the wealthier south of England, rate bills could rise by as much as 100 per cent.

Although there is no unanimity on the impact of UBR and revaluation — some analysts are quick to point out that rates represent only 1 per cent of sales — no one is in doubt that the weaker retailers will suffer most. With spending slowing, and borrowing costs remaining high, the changes in the rating structure will hurt retailers — and also landlords, who will end up helping to pay for the rates reform by receiving lower rents.

It is not just the retailers who are facing a squeeze on profits; so are the developers. A good deal of the land purchased in the last two years for development as retail sites was acquired at peak prices. With construction costs rising faster than retail prices, and high interest rates pushing up funding costs, development profits are being squeezed hard.

Finding the funds for development is also an increasing problem. The unhealthy outlook for consumer spending has unsettled the investment institutions. Steve Johnston, senior research analyst at Morgan Grenfell Laurie, believes current sentiment among investors is that "shopping centre development is something to be left well alone for the time being".

There is little doubt that some institutions have been scared off by bearish predictions for retail spending and rental growth. As the Oxford Institute of Retail Management said a few months ago: "Behind the withdrawals can be seen... a growing concern over the viability of some of the more speculative proposals within an uncertain consumer spending environment."

Banks — traditionally great lenders to retail developers, and in recent years seen as an alternative to investment institutions as a source of funds — are also taking a fresh look at the market. This month's warning from the Governor of the Bank of England, on the scale of banks' property lending, is unlikely to go unheeded.

Although the outlook for the retail property market inevitably differs from region to region — rental growth has generally been best in the North and Midlands, while prime sites in the South and East Anglia are still in great demand — concern about the future is almost universal.

The greatest fear is that another rise in interest rates will pitch the economy headlong into a full recession, slamming the brakes on consumer spending and leaving retail property in dangerous oversupply.

It is a scenario few in the retail property market are yet prepared to consider. But Russell Schiller, of Hillier Parker, echoed the thoughts of many when he said: "1990 will be bad but not disastrous. But if consumer spending does drop in real terms, and interest rates go higher, we could be in real trouble."

RETAIL PARKS: there is more to them than tin sheds, says **Patrick Harverson**

Add leisure — and you've got a day out

THE GROWTH of the retail park has been phenomenal by any standards. Since the first one opened in 1982 — 93,000 sq ft at Cambridge Close Park, in Aylesbury — over 11m square feet of retail parks has been developed in Britain.

Last year retail park floorspace accounted for roughly half of all shopping centre space opened, according to figures compiled by Hillier Parker, the chartered surveyors. Total retail park floorspace now stands at 11.3m sq ft, with 53 schemes already presently under construction and likely to add another 7.2m sq ft.

The history of the retail park dates back to the 1960s, when the first superstores were created out of the shells of former industrial warehouses. A decade later, purpose-built retail warehouses were springing up, housing a variety of bulk goods operators.

The retail park concept developed rapidly when individual retailers of do-it-yourself goods, carpets and household furniture realised that, by joining forces in one location, considerable benefits could be realised.

The end result was the creation of what is by now the standard form of the retail park. This has a DIY store as the main attraction, backed up by retailers of carpets, furniture, auto parts (predominantly Halfords) and electrical goods, both brown and white. For the more sophisticated retail park, a food superstore provides an added draw.

The central attraction of the retail park, evident from its earliest incarnation, has always been quite clear. To the consumer, it offers several advantages over town-centre shopping. Access is vital. Mostly sited off main artery roads just outside town centres, retail parks are easy to get to.

Parking is usually plentiful, and often free. Shoppers used to fighting for parking space in overcrowded high streets can drive almost to the door of the retailer, find a space near enough to load heavy and cumbersome goods in the car with relative ease, and then make a quick escape, avoiding town-centre traffic jams.

Price is also a considerable attraction to the consumer. Relatively low development, start-up and running costs, and the ability to stock, and sell, goods in bulk enables retailers to offer competitive prices.

Retail parks are also popular with retailers and developers: with the former, because of the low costs, particularly low rents, and increased trade as a result of its complementary operation; with the latter, because of the relative ease with which planning permission can be won and the relative cheapness of construction. The early parks were particularly inexpensive, consisting of little more than old warehouses converted into large, inelegant, but efficientretail units.

The ugliness of retail parks has been a regular criticism. There is no doubt that shopping in a retail park can be a soulless experience. Until recently, this did not seem to matter. From the start, retailers did not attempt to glamorise the surroundings for fear of ruining the image of cut-price goods available in bulk.

"The concept behind a retail warehouse is that it's just that: a warehouse where people think they're getting a bargain," says Stephen Wall, of Chesterton, the international property consultants. "If you shop in a big industrial building, you think you're getting goods cheap."

One problem inherent in rearranging the mix of retailers is that institutional investors, who provide the funds for development, are less likely to finance a park that does not have the right composition of tenants

It is a simple and effective argument. But in the 1980s, the decade of design, even the retail park has succumbed to the lure of the upmarket image. The property research team at County NatWest WoodMac, the City stockbrokers, suggested in a recent publication that the rush to improve the presentation of retail parks had been a reaction to the current public debate about the effect of architecture on the environment, stimulated by Prince Charles.

"The Prince Charles factor has made retailers realise that 'crinkly tin sheds' on the fringes of the green belt is not the way to win friends," says County. Local authorities, on whose land so many parks are built, and institutional investors who fund developments, have been keen to follow the trend for "beautifying" retail parks.

Of course, making the retail park environment more pleasant for the shopper costs money. County estimates that the "search for style" has driven up construction costs by between £16.20 to over £30 a square foot.

Changing the mix of retailers has also been part of this process of improving the retail park's image. The more modern parks now include giant toy stores, a smattering of fashion retailers, and — a real draw — an increasing number of Marks & Spencer outlets.

But the most interesting diversification yet seen in retail parks has been into leisure. Multi-screen cinemas, nightclubs, indoor fairgrounds, swimming pools, bowling alleys and ice rinks have all been introduced, or are planned, to liven up the image and offer the consumer more of a day out. Leisure tenants are welcomed with open arms. They utilise unpopular space, particularly above ground floor, and operate when the shops are closed.

However, one problem inherent in rearranging the mix of retailers in parks is that institutional investors, who provide the funds for development, are less likely to finance a park that does not have the right composition of tenants.

Edward Farrar, of property agents Edward Erdman, explains: "While Homebase, B&Q, Do-It-All and others represent 'rock solid' covenants for the institution, and will therefore play a very positive role in attracting the funding in the first place, few institutions will take the risk of backing a scheme with what they might perceive as a weak line-up, or even a 'weak' link in the chain."

There is no doubt that the changing face of the retail park has not been entirely for the benefit of the consumer. Retail parks are as exposed to the growing slowdown in consumer spending, rising costs (particularly next year when the Uniform Business Rate is introduced) and overcapacity, as any other retail environment.

Like all businesses, they are having to adapt to survive. With a slight, but detectable, shift in consumer preference back towards more traditional forms of shopping, retail parks will have to work hard not to lose their appeal to shoppers.

TOWN CENTRES

Shoppers call the tune

CITY FATHERS these days describe the town centre as the birthright of the people. The people's birthright is about to be transformed.

Experts predict a shift in the balance of power, from landlord to tenant, and from retailer to consumer. This happy state of affairs, they believe, will be brought about mainly by higher interest rates. Consumers, with limited money, will be more selective, and landlords will have to become more flexible if they believe a little rent is better than no rent at all.

In the next decade, the consumer will be king, the tenant will have his day — and Mrs Thatcher's enterprise culture may finally have arrived.

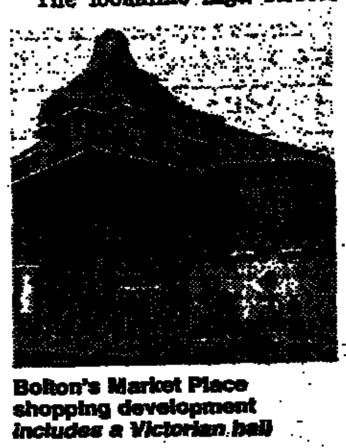
The 1990s will also usher in a fresh challenge for local authorities and property developers: a demand from the community for more après shopping leisure and recreational activities in the rejuvenated, friendly town centres to which it flocks.

The success of out-of-town shopping centres forced local authorities, traditional holders of the freehold, to forge partnerships with private developers in the 1970s, to spruce up town centres and halt the decline on their investment.

Mr Alan Yates, a partner with Dearle Henderson, the quantity surveyors, believes the marriage between the two has been a good one. "They have definitely put more pep into town centres by improving the infrastructure and parking facilities, and adding environmentally-pleasing pedestrian malls and food courts."

That every town centre in the UK looks the same as the next is a mere trifle, believes Mr Yates. "If this is the only criticism, the achievement has not been a bad one," he says.

The lookalike high streets have been partly caused by what Mr Mike Ringer, associate partner of Jones Lang Wootton, the chartered surveyors, calls the "race for space" — a massive expansion in the 1980s by ambitious established retailers such as Burton, Next and Sears. Buoyant conditions also brought new names into the high street, mainly in the form of niche retailers such as Tie Rack and Sock Shop.



Bolton's Market Place shopping development includes a Victorian hall

"As a result of this expansion," Mr Ringer says, "retailers sacrificed quality of location in return for achieving the level of expansion they required."

Space in town centres, refurbished in the 1970s, was tight in the 1980s, and retailers had to take what they could get. Mr Russell Schiller, head of research at Hillier Parker, the estate agents, says the openings of shopping centres in town centres between 1977 and 1988 were below the level from 1968 and 1976, but are forecast to rise to 7.4m sq ft in 1990 — about the same level as in the early 1970s. With the growth of out-of-town developments, town centre's share of new openings fell from more than 75 per cent in the years up to 1985 to 37 per cent in 1990.

The recent revival of new openings in town centres has coincided with higher interest rates, and the effect, says Mr Ringer, has been dramatic. There is unlikely to be sufficient tenant demand to meet the supply of new retail space at the rental levels projected at the inception of the development, which in some centres reached 40 per cent in 1988. At the Waterglade Centre, in Ealing Broadway, west London, for example, 10 out of the 25 shops are vacant.

"It is dangerous to generalise, but some shopping centres are in for a difficult time," says Mr Ringer. "Selectivity will be the key to success. The right product in the right centre will succeed, and there will be plenty of opportunity to buck the trend of declining rates of increase in retail sales."

Mr Keith Wills, a retail analyst with Goldman Sachs, the securities house, believes retailers will have to cut back on space to cut back on costs. One of the first to do so is Burton Property Trust, Burton's property arm, which has shelved plans for a £200m shopping centre scheme in Plymouth through lack of funding.

Mr Yates is more cautious: "It is too early to tell if this is a temporary hitch or an adjustment in the market," he says.

Lower rental growth will bring a lower growth return on retail property investments. Yields have slipped from 4½ per cent to 5 per cent for prime shopping in the last six months, causing a distinct twitchiness among pension funds and insurance companies, the traditional investors. Fewer will be willing to invest, and the willing few will cut their prices.

Mr Ringer believes Britain is at the brink of a new world in which town will compete with town for shoppers as will shopping centres within towns. In Guildford, for example, of the three shopping centres, two have been refurbished to meet the competition for trade.

"There will be a change in the management structure, as the landlord will no longer be able to dictate to tenants," Mr Ringer says. "Landlords will be forced to offer more flexible terms, which will lead to the American idea of managing shopping centres as a dynamic business rather than a static investment."

Mr Ringer predicts that the traditional idea of landlords demanding 25-year leases from blue-chip tenants will be out, and that shorter leases of up to five years will be in, leading to concepts and new retail blood, which will make shopping centres more interesting.

"This will usher in provisions for turnover, with the centre manager becoming not so much the landlord but the executive meeting the needs of both landlord and tenant," he says. "The most important ingredient for success in shopping centres, which are really covered high streets, is the right tenant mix."

Help for town centres is at hand, as developers become more pessimistic about obtaining planning permission for retail centres out of town. The Hewitt's Farm development, near Orpington and Bromley in Kent, was rejected on appeal for green-belt reasons.

So the high street in the 1990s will continue to be a hub. Retailing will be more competitive, non-established tenants on shorter leases will add individuality to crushingly anonymous town centres — and customers will be masters of all they survey.

Anne Sacks

REGIONAL CENTRES

Long-term enterprises

REGIONAL shopping centres are an enigma. It is not clear what effect they will have on the retail scene, or how many of them there will be — only that there will not be as many as once seemed possible.

Since the early 1980s, there have been nearly 60 proposals for such centres, defined as shopping areas of 500,000sq ft or more. They have sought to exploit an increasingly carborne public, willing to travel to a place where there is a concentration of shopping, probably linked to leisure facilities such as restaurants, cinemas and bowling alleys.

Regional centres have offered commercial rivalry to the town centres, seeking to provide the same facilities in a more controlled environment, often with adjacent retail warehousing.

Here, then, is a built-in clash of commercial and planning interests: on the one hand, property owners with existing town-centre investments, and local authorities anxious to preserve the health of traditional centres; on the other, property developers who want to exploit a new trend, and local authorities wishing to create new sources of employment.

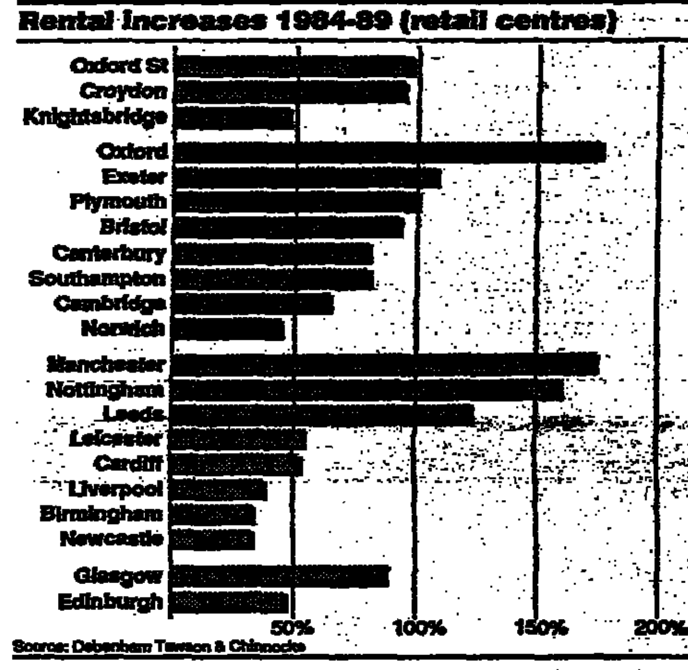
Yet the arguments between the two have never been as clear-cut as the basic interests might suggest. This has been seen in the attitude of retailers, anxious to bridge the gap by having representation in both. Indeed, the Metrocentre at Gateshead would never have emerged in its present form had Marks & Spencer, traditionally a town-centre operator, not been prepared to chance its commercial arm at a new site without any retail history.

The standard argument advanced by the promoters of new regional centres is that they are complementary to traditional town-centre areas. There is some force in this argument, given the rise this decade of consumer spending and the spread of car ownership.

But enthusiasm among developers for regional centres has cooled, partly as a result of planning decisions, partly because some plans have fallen by the wayside.

Hillier Parker, chartered surveyors, has forecast that, in regional and district shopping centres together, 1.7m sq ft of space will be opened this year, and 4.4m sq ft in 1990. This compares with a total of up to 1.2m sq ft between 1976 and 1985, a period when the main example of regional centre was the Hammerson development of Brent Cross, in north London.

Rental increases 1984-89 (retail centres)



Source: Debenham Tewson & Chinnocks

Leaving aside the experience of Brent Cross, which has long been part of the northern London retail fabric, the experience of the new regional centres — and, so far, this means the Metrocentre, and Merry Hill at Dudley — is really too limited to point up more than a few elements likely to lead to commercial success.

Enthusiasm among developers has cooled, partly because some plans have fallen by the wayside

But studies by the Oxford Institute of Retail Management, at Templeton College, for the developing Meadowhall centre, near Sheffield, suggest that there are three critical factors for any regional centre: true ease of access; the choice and strength of the retail offering ("sheer size is an attraction"); and the existence of a regional catchment area.

Commercial success for a regional centre — and distress for nearby secondary centres — can only be measured over time. The Metrocentre has climbed to an annual turnover, in the estimate of Chesterton, the managing agents, of more than £300m. But the early experience of some retailers, whether because they offered the wrong sort of goods or did not suitably design and present their shops, is known to have been disappointing.

More knowledge on centre performance will soon be forthcoming. From the plethora of applications, a few have now been chosen. At Thurrock, Capital & Counties is pushing ahead with the construction of the only new centre on the M25. Meadowhall will open next year. Merry Hill is trading and expanding at the same time. Shopping facilities, of a size suitable for a regional centre, are part of the Canary Wharf development, under construction by Olympia & York, in London Docklands.

Meanwhile, the planning process has selected the sites for regional centres at Exeter and Leeds. The Manchester Ship Canal Company's proposals, at Dumplington, are preferred by the Department of Environment to plans for other sites in the Manchester area. Sandwell Mall, near Birmingham, has long had outline planning permission.

These decisions suggest that each conurbation will have a new regional centre in the next few years, adding a new geographical dimension to the retail network. This movement is probably impervious to short-term nervousness about interest rates. Unlike quickly constructed retail warehouses, they are long-term projects, responsive more to demographic and social trends than to immediate quirks in the economy.

Paul Cheeseright

DESIGN: retail cuts are hitting the consultancies, as . . .

The rules begin to change

THE GIANT swathes that British retailing has been able to cut through town and countryside during the 1980s has been due partly to the power of design to communicate new ideas and developments.

From the city-centre shopping complex to the out-of-town retail shed, developers – and the multiple chains which support them – have leant heavily on the skills of designers to appeal to council members, community leaders and consumers.

The result has been a dramatic *reshaping of the physical* and commercial landscape in most regions. According to Carl Gardner and Julie Sheppard, authors of an important new book*, this retail revolution "is arguably the most significant, far-reaching economic and social phenomenon of the age".

They argue that "retail culture" is now all-pervading – "it has colonised huge areas of our social life outside the traditional high street, from sporting venues to art centres, from railway termini to museums". Since the early Next outlets, which promoted a fresh and clear expression of design from 1982 onwards, designers have been in the engine-room of retail growth.

But now, after a summer of standstill retail growth and interest rate hikes, the retail market has cooled. Closures and cutbacks abound. Investment is on hold, and the sector has itself cooled towards design.

One City analyst puts it bluntly: "Designers and retailers got carried away with design for its own sake." Even designers themselves admit that retailers were entranced by the visual pyrotechnics to the extent that they neglected such basics as location and access in shop property.

Senior designers are talking of a "siege mentality" among retailers, which is spreading to developers. The influential flagships of designer retailing in the 1980s – Next and Sir Terence Conran's Storehouse – are both troubled. Next, in particular, has just turned in appalling results: profits slashed from £30.9m to £16.2m on turnover down from £544m to £470m.

Such a disastrous result makes Next's string of design awards look irrelevant, and serves to emphasise the feeling of many designers – that design can only be one element in a package of factors contributing to retail success.

Some designers even invested in the American retail design market. But this has proved a fragile bolthole

According to Stefan Zachary, managing director of McColl design consultancy: "The most successful retailers haven't always had the best visual design. They've achieved excellence by having great merchandise and building up trust with the customer. If I had to make an order of priority for retailers, it would be products first, standard of service second, and image and retail environment third. I've always preached that design is not a cosmetic add-on but a strategic weapon as part of an overall policy."

A fantastical design statement, such as Next's Department X youth fashion store in Oxford Street, London, which resembles a Constructivist stage set, now suddenly appears a relic from a previous age – even though it only opened last year.

Department X won the top retail prize in the 1989 Design Effectiveness Awards. But what price its outlandish environment now that high street spending has been so severely curtailed? Boots' Children's World was another winner. But Henry Bowrey, director of operations at this new retail venture, is careful to put design in perspective: design can help to present merchandise, he says, but the merchandise hut always be "the hero".

The feeling in the retail industry is that you can't put all the blame at the door of design. Even those who have been forced into receivership by the current climate are sanguine. John Phillips launched the After Dark lighting chain on two prime London sites last year, with a smart retail concept and identity, and a plan to extend to the Home Counties if all went well. It didn't. As the home furnishings spending was progressively squeezed, the bank grew impatient and pulled the plug in May this year.

Looking back on the experience, Phillips believes the high cost of property and borrowing money – not design – led to After Dark's downfall. He suggests that the rewards were so great in the boom years of retail that "people were prepared to pay silly money to get those rewards, in shopfitting, the cost of premises and so on. But they never paid silly money for design."

Even so, cuts are hitting the consultancies. Once, designers would automatically enjoy the fruits of a nationwide store rollout having devised a new format. Now, much of this lucrative work is being done in-house by retailers, or farmed out to assorted local contractors and shopfitters.

Designers' response has been to by-pass the blackspot of UK retailing by taking their retail skills into other areas of the British economy such as leisure and tourism, and other markets for retailing such as mainland Europe where there are many new opportunities in anticipation of the single market.

Some designers even invested in the American retail design market. But this has proved a fragile bolthole: the 1987 Wall Street crash and a bitter takeover battle in the department store sector put much design work on ice.

The design industry now realises that the rules of retail design are changing. James Woudhuysen, who has set up the European Design Laboratory of Anglo-American design group Fitch-RS, believes that an activity which was essentially cosmetic in the 1980s will now put more emphasis on strategy, ergonomics and psychology. In particular, much effort will be spent on improving staff morale and conditions, so that retailers give "more relaxed, better informed, courteous and efficient service".

Crighton creative director Jon Wealleans, whose consultancy has recently completed the First department store for British Airways, puts it another way. He quotes Le Corbusier's maxim from the 1920s: "Architects must stop being drawing-board stylists and become organisers."

If service replaces design as the motivating force for retailers in the 1990s, then designers still believe they have a lot of strategic advice to offer.

**Consuming Passion: the Rise of Retail Culture, by Carl Gardner and Julie Sheppard, Unwin Hyman (£14.95).*

Jeremy Myerson

PLANNING

Tight buckle on the Green Belt

CONCERN FOR the Green Belt and the future of existing town centres has been the main factor behind the Government's approach to the planning of what it calls "major retail development".

The Department of Environment overshadows the local authorities in the determination of planning applications for any retail development of more than 250,000 square feet, following a decision nearly three years ago.

At that time, proposals for new centres, often in the Green Belt, seemed to be coming out almost once a week. Regional shopping centres were perceived to be the big threat to the sanctity of the Green Belt – and, indeed, to the Conservative vote in some of the shires. The focus of the Green Belt debate has shifted since then, and development pressures have eased. But the role of the DoE remains.

The starting point for the determination of the planning applications is a planning policy guidance note, circulated in January 1988. For many in the retail industry it is an unsatisfactory document, seen as too vague and open to too many interpretations.

The Government starts from the belief that it is not its task to interfere in retail competition. Thus it deprecates attempts to make detailed forecasts of retail growth or of the geographical distribution of retailing.

But the circular refines this position, by seeking to set down criteria to establish where new developments are unsuitable. Thus they should not be of the kind, or on the scale, that "could seriously affect the vitality and viability of a nearby town centre as a whole". New centres have no place in the Green Belt, nor are they generally acceptable in the open countryside. They might be suitable for reclaiming large areas of derelict land, where the effect on nearby town centres is diffuse.

The Government appears to want new centres situated within urban areas. The circular encourages local authorities to give over industrial land, where there is more than enough available, to retailing.

Developers and landowners, however, have generally seen the existence of motorway access as a necessity for major new centres. They have preferred greenfield sites to those hemmed in by urban activities. They have seen derelict land, even if in the Green Belt, as a natural site for a new centre.

Between 1986 and 1988 especially, there was therefore a host of applications for new shopping centres along the M25 London Orbital, which itself cuts through the Green Belt. And applications came in that, had they been accepted and constructed, would have surrounded most of the larger towns and cities with new shopping centres.

It was not surprising that a head of opinion built up against any relaxed planning policy for shopping centres. Southampton City Council, for example, sought to enlist the support of other local authorities in a campaign against out-of-town shopping centres.

But there has also been a quieter effort, by what became known as the Oxford Group, not so much to oppose all out-of-town shopping development, as to clarify the Government's planning circular and to make certain that, where major developments take place outside the traditional areas, they are carefully controlled.

The Oxford Group, based on the Oxford Institute of Retail Management, brings together a group of retailers, property investment and development companies, institutional property owners and chartered surveyors.

Earlier this year, it produced its own alternative to the Government's planning circular, refining further the constraints on shopping centre development. On top of the Green Belt prohibition, new centres would not be acceptable where they created a new focus of activity in a region where no major growth is planned. Nor would they be acceptable if they placed unacceptable loads on the road network, or inhibited major investmenmt initiatives in town or city centres.

At the same time, the Oxford Group did not want new in-town shopping centres that were not integrated into the existing street network or townscape, or were not associated with the general improvement of a town's environment or infrastructure.

Against this background of debate, the Government has been acting on the shopping centre applications which have been winding their way through the planning process, usually by way of public enquiries and reports from planning inspectors.

An application for a centre outside Bristol, led by Prudential, was deemed to be against the policy set out in the circular, because of its impact on the city centre. And the Prudential lost its fight to create a new centre in the Kent Green Belt, at Hewitts Farm near Orpington. ARC Properties lost its attempt to create a new centre at Wraysbury, near the M4, but also in the Green Belt.

Where a number of planning applications have been drawn together into one, or a series of, public enquiries (as in Exeter and Manchester), the Government has found itself selecting one site out of a choice of several.

The DoE usually states that each application is considered on its merits; but, if there is one strong theme that has emerged from the series of decisions, it is that the Government will not permit interference with the Green Belt.

Its firmness was demonstrated when it awarded costs against ARC Properties for its planning appeal over Wraysbury: the company should have known that it did not have enough evidence to make its case for Green Belt development exceptional.

Paul Cheeseright

Refurbishment is helping town centres compete with rivals

Civilising the concrete jungle

SHOPPING centre refurbishment comes in degrees. Designers, architects and developers, faced with outdated urban sites from the 1960s and 1970s, will choose to update some, tear down others, or even mix the two.

But increasingly, as high interest rates begin to bite in a retail recession, many architectural practices and design consultancies, find themselves involved in delicate refurbishment issues which right the wrongs of 1960s concrete jungles, rather than new developments on demolished or greenfield sites.

The concrete masses of early shopping centres are considered cold, unsympathetic and outmoded by today's sophisticated shopper. But this is not the only reason why an urban scheme should become a candidate for refurbishment.

"I think we can track the interest in refurbishments back to 1984, when the whole retail scene really began to hot up," says Elizabeth Howard, research assistant for the Oxford Institute of Retail Management, Templeton College Oxford.

She explains that refurbishment plans, drawn in reaction to the physical state of properties, were speedily advanced as city shopping centres tried to revitalise their images in the face of new competition from out-of-town retail parks.

This view is supported by a Hillier Parker research report on shopping centre refurbishment, which tracked 77 schemes, and which concluded: "Just over three quarters of refurbishments are taking place in schemes which were built 11 or more years ago. There is a bias towards older schemes, but it is not as strong as might be expected. The figures for the oldest schemes (16 to 21 years) are no higher than for the 11-to-15 year olds."

The Hillier Parker report highlighted another "interesting result": four of the refurbishments were among schemes which had opened in the last five years. Even the newest designs were subject to substantial alteration.

Charles Dunnett, shopping centres director at Fitch Benoy, has an explanation for the failure of these earlier shopping centres to meet changing consumer needs: "The developments tended to be viewed as a developer's proposition rather than a management proposition. Retailers don't want a quick in-out tenancy, they want a centre that offers them and their customers decent car-parking, eating and other facilities."

Whiteleys: skilfully tackled from the inside out

His consultancy has just finished a £12m retail refurbishment of the Pavilions shopping centre, at Uxbridge, for the Prudential Corporation, which was officially opened this week.

Not every project entails bulldozing past aspirations and designs that were well-intended at the time

The original 1970s centre consisted of two windswept precincts with wide, exposed malls and undersized shop fronts. The British weather, vandals and poor access all contributed to a poor image, but the owners had to take defensive action against the commercial onslaught of newer, more vital centres at Ealing, Harrow and points along the M25.

The centre was roofed in, given new facias, lighting, narrower walkways and wider shop fronts. Fitch Benoy also installed baby-changing facilities and provided for the disabled. So far, the new-look Pavilions has attracted 32 new tenants.

Yet Uxbridge is cosmetic job by comparison with plans for Birmingham and Leicester city centres. Design consultancy McColl is working on a scheme to revitalise the Leicester Haymarket shopping centre, another 1960s shrine to concrete. The aim is to give the centre and the surrounding area what McColl director Chris Munday-Chanin feels it lacks – cohesive destination.

Meanwhile, multi-million pound redevelopment work is underway in Birmingham. Earlier this year, planning consent was given to the London and Edinburgh Trust's £250m scheme to redevelop the Bull Ring – a 1960s shopping centre that many would gladly pay to see demolished tomorrow.

But the second city's it is not the only landmark that will not be mourned by local people. UK Land plc has announced plans to completely refurbish and extend the Elephant and Castle shopping centre, in South London. Since it opened in the 1960s, the centre has never traded successfully. Now, a proposed retail-leisure scheme – again designed by Fitch Benoy – is set to add 250,000sq ft of business space and give the completed development a value of around £100m.

However, not every refurbishment entails bulldozing past aspirations and designs that were well-intended at the time. That at Whiteleys of Bayswater, for instance, has been skilfully tackled from the inside out. Subsequently £42.5m has been invested to refurbish and partially rebuild the stylish Grade 2 listed building, derelict since the original Edwardian store closed for trading in 1981.

Building Design Partnership was appointed by the developers, the Whiteleys Partnership, to mastermind the transformation of the architecture and its interiors, to house 80 shops, cafes, restaurants along with a multiplex cinema within 290,000sq ft of space.

No less than £5m has been spent on restoration of existing features, to ensure that the elegance of the original 1912 building, designed by Blecher and Joass, has been retained, along with a façade designed in 1927 by Curtis Green. But two thirds of Whiteleys is, in fact, new: behind the retained elements, a haphazard collection of buildings in poor repair has been torn down and replaced with a four-storey structure.

Yet, walk round the perimeter and it is hard to detect where refurbishment of the old ends and construction of the new begins, so finely tuned is the architectural work to the historic nuances of the once-great department.

Such schemes demonstrate how sophisticated designers and developers are becoming in refurbishment centres. There always was an element of make-believe in retailing – now it extends to the walls and floors.

Wendy Smith

MANAGEMENT: **Mark Nicholson** talks to a man who is . . .

'Running his own high street'

John Bryson: 'people dress up to come here'

WHEN THE Gateshead Metrocentre's manager, Mr John Bryson, and his staff set up Europe's biggest out-of-town shopping mall, they jokingly called it Toytown.

"We had our fireman, our reverend, our policemen," he says. "I don't know who Larry the Lamb was, but I suppose I was the mayor."

Today, when he talks about the centre, he can be caught calling it simply "town". Certainly, the Metrocentre, where last year up to 19m people wandered through three tiled and palmy miles of shops, restaurants, cinemas, bowling alleys and the Metroland funpark, is no toy. And while Mr Bryson is not quite Metrocentre's mayor, his central role in shaping the project does make him one of an embryonic breed of town managers for the 1990s.

It is a role in which the 52-year-old Mr Bryson is happy to cast himself. He quotes from an article in a recent British Council of Shopping Centres publication, which speculatively set out a job description of a town manager of the future. The list of tasks included responsibility for public works, marketing the town, liaison with the private sector and public authorities, co-ordinating police, transport, lighting, public conveniences, parking gardening – almost anything faintly urban that you can imagine.

"That could be describing my job," says Mr Bryson. "All these things I have to think about all the time."

One might have expected the c.v. for such a job to include at least a spell in local government, town planning or construction. However, Mr Bryson is a retailer, through and through – an old fashioned one at that.

He joined Broadbent's department store, in Southport, after reading astronomy at university, and worked his way through the departments. From there, he joined Elliston and Cavell, Oxford's paragon old English store, as a fashion buying manager, before joining Debenhams' central buying operation.

County and New Town Properties then tempted him away, to revive the ailing Civil Service store, in The Strand, a challenge Mr Bryson was relishing until the store burned down in 1982. He left to join the John Lewis Partnership, in Bristol, for three years.

Then he saw the advertisement for Metrocentre manager. "My wife said 'you've done all you can in retailing'," he recalls. "'Why not see if you can run your own high street'." He applied, and found Mr John Hall, the centre's founder and wellspring of inspiration, keen to appoint a retailer to the post; particularly one who shared his view of the kind of need the Metrocentre was designed to meet.

This was, as Mr Bryson characterises it, the public's "suppressed demand" for a clean, safe, town centre with free parking and quality shops. "The place was to reflect old values," says Mr Bryson. "The public's enjoyment in the high street, which has been lost, was the pleasure of a family going out to town once a week." For its tenants, meanwhile, the centre was to be a high street any retailer would give an arm to trade on.

Mr Bryson put together a management team of seven, and oversaw the centre's organic and swift growth up to and after its opening in October 1986. Today the centre has 360 shops, employing about 5,000 staff. The management staff alone numbers 185 and includes a chaplain.

Mr Bryson prides himself on comprehending the size of the project without being overawed. It helped, he says, to see the centre as one big department store, one where Marks & Spencer, for instance, would just be one of the departments. "The astronomy degree helps, because anything with 16 noughts on the end is quite familiar," he adds, half seriously.

Figures released this month, from a study by PA Cambridge Economic Consultants, show that visits to the centre reached between 15.5m and 19m in 1988. An average group of visitors spent on average £52. And a turnover is estimated by the consultants at between £320m and 360m. Mr Bryson adds that they fish £10,000 a year in loose change from the fountains alone.

He speaks as proudly, though, of what he sees as the centre's social success, and points out that, since it opened, other local retail centres do seem not to have suffered as much as they had feared. From this, he infers that, while people still shop in their local haunts, they also like to take a day out at the centre. "People dress up to come here. You never see anyone on our streets in curlers."

Because the Metrocentre is private property, Mr Bryson and his team have been free to mould their town centre, untrammelled by the jigsaw complexities of zone and by-law rules and the union, local authority and political pressures which define the planning of real centres. To that extent, and because it houses only shoppers and no office workers, residents or transients, it is something of a toy town.

But the Metrocentre's real trick, he believes, has been strict control of its environment; and this is not so much a question of the microchip-controlled lighting and micro-climate as of gently shaping the social environment.

This is something Mr Bryson is far more strongly placed to enforce than public bodies, because the Metrocentre has no by-laws as such, but rather a walkways agreement, which enables the landlords (the Church Commissioners, who own the centre) to decree which activities are allowed in the centre.

So the shoppers' streets are not only kept swept and gleaming, they are also kept largely free of social nuisance. Canvassing – political or commercial – is strictly controlled; alcohol may not be drunk on the walkways; and a team of security guards works with the police to deter crime.

Mr Bryson stresses that the security men are there for assistance – to jump-start cars or show people the way – as much as to catch thieves or vandals. Nonetheless, he says that retailers report shrinkage in the centre to be a tenth of their branches elsewhere, and can point to graffiti-free walls throughout.

The result, Mr Bryson emphasises, is that he and his team have created "an orderly society within the confines of the development". If this sounds like a political conclusion, he partly agrees: "It is political, but we don't see it as politics. I call it social engineering."

RENTS and RATES

New tax will erode profit

IF FALLING consumer spending is not enough to scare some retailers and landlords witless, impending local authority financial reforms should do the trick.

The tinkle of cash-tills will be all the more muffled by a new system of business rates, which will hit Britain's high streets and help to throw property valuations into turmoil.

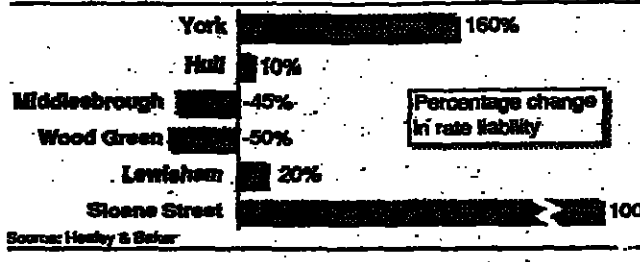
The strong will survive. Charges for local services, despite their high political profile, have always been a minor part of major retailers' costs, playing a weak second fiddle to salaries. But the weak could suffer badly, as the new Uniform Business Rate eats a large hole in declining profits.

The new tax is meant to even out wide national variations, cutting the burden on retailers paying for high-spending local authorities and raising rates where a council has been less demanding. The real impact will be far more complex, however.

The main problem comes from the general revaluation of business property, necessary to set a standard for charging the UBR. This will hammer the retail sector, because shop rents have soared much higher than those of offices and industry since the base level was set 15 years ago. The Inland Revenue forecast a modest average 18 per cent annual rise in bills, but City analysts fear increases of between 40 and 180 per cent for quoted retailers. They have the best sites, which have appreciated in value the most.

The south is intended to suffer, while the north benefits, compensating for the imbalance in growth. Increases of more than 300 per cent in Croydon and London's Knightsbridge area have been forecast by agents Debenham Tewson & Chinnocks. But that is too simplistic a generalisation. Many provincial high streets have also boomed. While Middlesbrough retailers may benefit from an average cut of 45 per cent, shops in York will face a 160 per cent average increase, according to Paul Bayram, at Healey & Baker.

Impact of uniform business rate



Source: Healey & Baker

The impact will also vary from shop to shop and tenant to tenant, because so many other factors are involved, particularly the profitability of individual retailers.

Chris Williams, at Citicorp Scrimgeour Vickers, dismisses the overall impact on major stores, pointing out that rates represent only 1 per cent of sales. With the Government capping rises to 20 per cent a year, this would mean a hardly noticeable 0.2 per cent annual cut in margins. But he says UBR will contribute to the slowdown, and hit sluggish sectors such as estate agency and white goods stores hard.

A more pessimistic conclusion from Debenham Tewson & Chinnocks' Beyond the Boom retail report is that UBR will have a significant impact on rents. This is partly because the report draws from a more dour view by Charles Nichols, at UBS Phillips & Drew. He points out that rates represent around 25 per cent of quoted retailers' profits, and that weaker operators face particular danger from hefty cost increases.

Marks & Spencer has an estimated rates bill of £35m, compared with projected profits of more than £500m, so the group could shrug off relatively large increases. But Storehouse pays local authorities an estimated £25m to £30m a year, equivalent to the whole of its forecast annual gross profits. A hefty extra burden from UBR will be hard to swallow.

Chains with a spread of property, between areas that gain and those that lose, will gain on the swings what they lose on the roundabouts, but some branches may still have to close. Single-branch operations trapped in a high-value area have most to fear, particularly if profits are weak. A store in the heart of London's West End, already suffering from massive rent increases after the spending boom, will also face horrendous rate rises.

Phasing UBR over five years is meant to cushion the impact, but there are pitfalls in the small print. A shop off Oxford Street, facing a 1,200 per cent rate increase, would see this cut to a maximum of 20 per cent each year (plus the current inflation rate). "That would still not clear the increase after five years, leaving the prospect of a big hike in costs at the end," says Paul Bayram.

There is no certainty that the Government would continue phasing after 1994, anyway, and the inflation adjustment factor also seems likely to be cut before then. Areas which gain from UBR will face a similar phasing in of benefits, and, as the national rating account is likely to be over-funded within a couple of years, pressure will build up for immediate full implementation of the changes.

Tenants who move after next April will not benefit from phasing, anyway – a quirk that could block some retailers' exits from high-rate locations, as they will find it hard to re-let a shop where the tenant faces full UBR.

Chris Williams says successful retailers will absorb these higher costs as the price of expansion into better premises or locations. This could limit the dampening effect on rents, although he sees a decline from the current 20 per cent annual rise to single figures due to a general decline in the market. But surveyors and investors will be left in a spin about how much each property is worth, because values will vary according to the qualifications of the tenant as much as the condition and location of the property. Just to add to the complexity, separate new regulations mean that some tenants must be charged VAT on rents, even though they cannot pass on the charge.

Catch-all indicators of market rents for an area, or even a high street, will become almost meaningless until the market settles down. Rent reviews and portfolio valuation over the next few years could become a series of inspired guesses. The number of rate and rent appeals will explode. It is all a long way from the simple idea of evening out injustices in commercial rate bills.

David Lawson

THE OCCUPIER

Practical issues are surfacing

MOST LEADING retailers are vigilant about customer satisfaction – they wouldn't stay in business otherwise.

Some wish that more developers would follow their lead. The quality of recent shopping centre schemes is a class above anything seen before, but that has not stifled persistent grumbles from tenants who insist they are not getting their money's worth.

The gap between builder and occupier is surprising, considering the amount of research put into these schemes. Chris Phillips, at Healey & Baker, admits that developers used to plough into schemes regardless of what the tenants might demand. The windswept plazas and threatening car-parks of 1970s centres show how recently this was going on. Nowadays they realise they will not attract good rents and funding unless they get things right, he says.

A recent study shows shop-owners more interested in customer circulation and parking than in award-winning designs

Not everyone is a good developer, however, particularly during boom times. Retailers accept much lower standards, just to grab a place in a new development or important street, according to Nigel Fransham, at Chestertons. Complaints dribble in later and drone on for years.

Mr Phillips also points to multiple retailers that rushed into the Covent Garden area once they realised it had become a powerful magnet. They had to put up with cramped spaces, because there was no possibility of building efficient new stores.

Weakening demand and flourishing supplies of new space will bring underlying complaints to the surface. Space will be harder to shift, and poor developments could go to the wall.

"Developers will have to look more to the demands of retailers," says Mr Fransham.

There is often a gap between what retailers want and what developers think they want, despite all the sophisticated research. Most major schemes are more like spectacular entertainment centres than shopping parades, as designers dream up more and more fantastic "life experiences". Fountains, food courts and glass lifts proliferate in a glitz were aimed at attracting customers from traditional high streets and rival centres.

Yet a recent study shows shop-owners are indifferent to award-winning designs. They are more interested in practical issues, like customer circulation, adequate parking and a good tenant mix, said Peter Hoffman, of Morgan Grenfell Laurie, said in a report for the International Council of Shopping Centres conference, in Vienna.

Money comes top of their list. Half the retailers questioned were keen to try turnover rents, which are still relatively rare in the UK. "Friendly" entrances and exits and good signage also rated highly.

"The success of centres depends on mundane but necessary aspects such as these," said the MGL report, which called for "effective dialogue" between landlords and tenants to accurately assess needs.

Getting the nuts and bolts right seems to have been well absorbed by agents like Chris Phillips, who insists that details such as floor loading, unit sizes and ceiling heights are researched closely before any good development gets under way.

But a cynicism about the ubiquitous show-biz element of many centres seems to persist. Geoff Mulcahy, chief executive of Kingfisher (née Woolworths), has cast doubt on the fad of importing spectacular ideas from the US. Shopping centres, like retail formats, do not necessarily travel well across the Atlantic, he said, particularly when they have to overcome problems of British land shortages, lower car ownership and poor weather.

"Developers will have to be more attuned to meeting our space needs, rather than fulfilling their own fantasies," he added.

Whether these space needs are more important than shoppers' needs remains a moot point. Retailers claim they are the same thing: they only want what the customer wants. Agents believe shop-owners are sometimes blinded to the public's desire by their own technical demands.

Mr Mulcahy would insist that shoppers dream about a good mix of shops in a covered centre with adequate parking. A developer might add that they could have all this – plus a few food courts and waterfalls to liven up the experience.

It is worth remembering that, in the struggle of wills, retailers are a poor lot when it comes to organising development

It is worth remembering, in this struggle of wills, that retailers are a poor lot when it comes to organising development. Fewer than a fifth have ever been involved in new building. Almost 90 per cent of the rest, which concentrate on fitting out new stores and altering old ones, admitted to Peat Marwick McLintock researchers that their own property departments had problems staying within budget. Two-thirds spilled over planned time-limits for projects, and three quarters were also unhappy with their own standards of maintenance and service charges.

If they cannot run their own projects, it might be dangerous to submit totally to their views on building the centres they occupy. But it seems likely that, as the spending boom subsides, tenants' views will assume control. Shopping could slip back slightly into a more dour mould, and the fountains run dry, unless tenants can be convinced that the extra expense will bring in customers.

David Lawson

UK COMPANY NEWS

N Brown defies postal disruption to rise 10%

By Maggie Urry

N BROWN Group, the direct mail order concern, achieved a 10 per cent increase in first-half profits.

Pre-tax profits in the half year to September 2 advanced to £5.19m (£4.7m), on sales ahead to £56.72m. Within the total, mail order profits rose 25 per cent to £4.8m. The shares put on 6p to 144p.

Sir David Alliance, chairman, sounded a note of caution about the second half, given "the current state of sentiment in the consumer market". However, he added: "I have every reason to remain confident about prospects based on sales to date."

Mr Alan Dean, chief executive, said he was highly satisfied by the performance of the mail order side. Sales rose 11 per cent to £52.5m. Mail order operating profits were up 40 per cent but interest charges rose sharply.

Mr Dean said the group was trying to restore customers' confidence in mail order after last autumn's postal strike. It had concentrated its marketing efforts on the customers most likely to spend, and had increased the amount spent per person.

It had maintained its number of "live" customers, and margins had risen. Sir David said: "We are on course to restore our net margins to their previous levels."

The group's customer base is largely of older people who are less affected by increases in interest rates, and are often ignored by high-street shops. Mr Dean said there had not been any noticeable increase in bad debts.

The non-mail order activities saw a halving in profits. Dunlop Heywood, a commercial surveyor, increased its income and opened a new office in Glasgow, and contributed a £600,000 profit. But losses at Morfitt & Turnbull, a fund management business, cut the total to £420,000, down from £890,000. This business was affected by uncertainty from the regulatory authorities over some of its products and by cuts in commissions on life and pension fund business.

The interest charge rose over £1m to £2.71m. Earnings per share rose 7 per cent to 5.7p (5.32p) and the interim dividend is up by 5 per cent to 1.575p.

● COMMENT

These figures were excellent given the difficult background for retailers in general and for mail order companies in particular following the postal strike. They demonstrate the power of Brown's database and its ability to target the most profitable customers, while avoiding wasted efforts on marginal ones. The setbacks last year have taken a year out of the company's growth, which had been running at an annual 30 per cent profit increase. The black spot is the financial services business chosen as a diversification, but surely now a candidate for sale if a decent offer was to turn up. Current year profits may not recover to the £13.5m level of 1987-88, but ought to reach £12m. That suggests a prospective p/e of 10.9, and these figures should mark the start of Brown's share price recovery.

Most of Coats/Tootal merger is shown green flag

By Ray Bashford

THE MONOPOLIES and Mergers Commission has found that the merger between Coats Viyella and the Tootal Group would have no adverse effects on competition in the UK textiles industry except in the needlework thread market.

After a three-month investigation into the impact on competition of the agreed £395m takeover of Tootal by Coats which was announced last May, the Commission has concluded that the combined group would have a relatively small market share of many individual textile markets, despite its overall size.

The 92-page report concentrates heavily on findings from the investigation into the effects of the merger on the industrial thread and UK domestic thread markets. The investigation found that the new company would have "well over" 50 per cent of the UK market for the sale of domestic thread used for home needlework which it felt could have "a serious adverse effect on" competition.

To ensure that there was not a lowering of competitive conditions in the domestic thread business, the Commission said that Coats must sell the business and dispose of its 20 per cent holding in Gutermann, a Swiss/German thread company, before the merger could proceed.

Coats and Tootal told the Commission that sales of domestic thread in the UK totalled £10m last year, with Coats' sales totalling £1.8m and Tootal's £3.7m. Gutermann's UK sales were £2m.

"We have decided that, if the merger were allowed, there would be a reduction of competition to the extent that the public interest in maintaining choice and supply of domestic thread at reasonable price levels would be adversely affected," the report said.

The Commission concluded that the merger would create the world's largest producer of industrial sewing thread with more than 40 per cent of the UK market. The Commission said this would not have a "serious adverse effect" on competition.

"After careful consideration of the market for industrial thread and an examination of the ability of other suppliers to compete with the combined group, offering thread manufactured in the United Kingdom, or imported from elsewhere in Europe or the rest of the world, we have decided that the merger would not have a serious adverse effect on competition for the supply of industrial thread," the report said.

The UK market for industrial thread is about £90m a year. Tootal has 23 per cent of the market, Coats has 18, and other companies have 10.

In coming to the conclusion that the merger would not have a serious adverse effect on competition in the industrial thread market, the Commission also concluded that there are many thousands of users and that there is "significant" price competition, with quality of the thread an important consideration.

The report said that worries about the merger were expressed by an unnamed major UK garment manufacturer which believed that it would lead to higher thread prices.

However, Courtaulds, the biggest UK user of industrial thread, did not oppose the merger and did not consider that it would provide the opportunity to increase prices unreasonably.

Marks & Spencer, a major client for industrial thread from both companies, said that the concentration of market share would not be against its interests because thread was traded internationally and represents only a small proportion of the cost of a garment.

Coats and Tootal argued that the merger would greatly increase efficiency and allow the combined group to achieve increased international competitiveness.

"Coats and Tootal told us that, by bringing together two groups with complementary skills and portfolios in both geographic and product terms, the proposed merger provided major opportunities internationally for improved marketing, production and supply of products, which would make the merged group a more effective competitor internationally, in particular with large Japanese trading houses," the report said. The companies told the inquiry that they expected the combined workforce to be reduced by 500 to 43,500 following the merger and expected most of the jobs to go through natural wastage.

Coats Viyella PLC and Tootal Group PLC
A report on the merger situations
Her Majesty's Stationery Office £8.10 net

UK THREAD MARKET (1988)

	Sales(£m)	Market share(%)
Coats	1.8	18
Tootal	3.7	37
Gütermann	2	20
Leicester	0.4	4
Polysew	0.4	4
Korbond	0.2	2
Other	1.6	15
Total	10.0	100

Coats/Tootal estimates

Average selling prices for thread

	Coats average price (£/SLU*)	Coats % change	Tootal average price (£/SLU)	Tootal % change
1986	9.04	-	11.25	-
1987	8.86	-2.0	11.75	+4.4
1988	8.79	-0.8	12.5	+6.4

*Standard length unit – cone of 5,000 metres

Source: Coats and Tootal

Wormald drops request for Holmes shareholder meeting

By Andrew Hill

HOLMES Protection Group's largest shareholder, Wormald International, has defused a potentially damaging dispute with the New York security company by agreeing to withdraw its request for a special shareholder meeting next week.

Wormald, an Australian fire protection company which owns 14.6 per cent of Holmes, aimed to elect five directors to the board next Wednesday.

Instead, Mr Eric Kohn, a director of Barons Financial Services (UK), Wormald's adviser, and not one of the five nominees, is to join the board. Wormald added that it would not actively seek to sell its stake until January 31 1990.

Both sides said yesterday that they were comfortable with the position.

Wormald wants to give Holmes "a new direction", following a slump in the New York group's 1988 profits. But Holmes had accused Wormald of jeopardising the proposed sale of the company, set in motion formally at the end of last month.

So far over 60 companies from Europe, the US and the Far East, have been approached by Salomon Brothers, which is handling the sale, and a deal is expected before Christmas.

Holmes's shares, quoted in London, were yesterday unchanged at a low of 61p, valuing the group at about £42m.

Holmes said yesterday that if a sale had not been agreed by the end of January, Wormald could ask the company to call a shareholder meeting to consider any appropriate proposals from the Australian group.

Earlier this year, Wormald challenged Holmes in the US courts after the New York group allegedly denied Wormald's request for information about its shareholders.

The Australian group said yesterday that it would end pending US litigation aimed at recovering the costs of the earlier court proceedings.

Holmes has also made two further board appointments. Mr Ernest Potter, a former finance director of Cable & Wireless, will become a non-executive director and Mr John Flack, who joined Holmes as chief executive in May, will be an executive director.

Rank plans to buy rest of Canadian film laboratory

By Nikki Tait

RANK ORGANISATION, the leisure and entertainments group, has arranged to buy out the remaining 51 per cent of The Film House Group, a leading Canadian film processing laboratory. It acquired its original 49 per cent stake for C$87.5m (£46m) in late-1988.

The deal is conditional on a successful leveraged buy-out bid being made for Cineplex Odeon Corporation, the quoted Toronto-based cinema group which holds the 51 per cent interest in Film House.

Mr Garth Drabinsky, Cineplex's chairman, and Mr Myron Gottlieb vice-chairman, are considering a proposed cash offer for the company, but no formal offer has been made.

If the offer does go ahead - by late-November if an expense reimbursement agreement is to be implemented - Rank will also make a secured loan to the Cineplex purchasers, helping to fund the bid.

Rank says that the combined cost of acquiring control of Film House and advancing the loan will not exceed $100m (£62m). There has been speculation that the loan element might be about $60m and the purchase price of the shares, some $40m. The loan would be relatively small in the context of the bid itself, expected to total about $1.25bn, including corporate debt assumed.

Apart from the condition that the Cineplex buyout proceeds successfully, the Rank/Film House transaction also depends on completion of a long-term film processing agreement between Film House and MCA, the US entertainment group and a significant shareholder in Cineplex.

Globe Trust assets rise 12%

By Nikki Tait

GLOBE INVESTMENT Trust, the UK's largest investment trust, yesterday reported an 11.7 per cent increase in net assets per share during the six months to September 30 – easily outstripping the 8.7 per cent rise in the FT-A All-Share Index over the same period.

Net assets attributable to shareholders rose from £1.1bn to £1.24bn in the six-month period. Net asset value per share on a fully-diluted basis stood at 229.18p at end-September, compared with 205.14p six months earlier.

Globe attributed the first-half performance to a "repositioning" of its investment portfolio. According to Mr David Hardy, executive chairman, internal worries about the domestic outlook started to surface in July, at which point a major shift into cash or near-cash began.

The UK now accounts for only half of the quoted portfolio, compared with some 70 per cent a year ago, and the trust has around £200m in cash. Caution on UK prospects has combined with a positive stance on the US currency; the trust has borrowed against the full value of its Japanese portfolio, and moved the money into dollars.

The wariness towards the UK investment scene will continue for some time, predicted Mr Hardy. "We're looking for a soft landing in the US, and a harder landing in the UK," he commented, adding that this may well throw up investment opportunities.

The unquoted portfolio now includes a significant holding in Isosceles, the newly-formed group which won a leveraged bid for the Gateway food retail company earlier this year. This is expected to total around £33m, once the current open offer to Isosceles shareholders is completed. Globe said that it also took up its rights in the refinancing of MFI, the furniture company bought out by management but which has subsequently hit trading difficulties.

Profits before tax in the six months were £21.74m (£16.18m), with the trust's income up from £23.18m to £29.58m, but earnings from subsidiary companies slipping from £2.57m to £1.65m. Earnings were 2.9p (2.21p).

The interim dividend is 1.78p, an increase of 10.56 per cent on the 1.61p of the previous year.

Blenheim expands

Blenheim Exhibitions has acquired Southern and Sussex Craft Exhibitions and Maw Promotions for up to £600,000 cash.

COMMODITIES AND AGRICULTURE

ITC ruling dashes creditors' hopes

English law finds the council not liable, reports Raymond Hughes

THE MEMBERS of the International Tin Council, which collapsed in October, 1985, owing hundreds of millions of pounds, are not liable under English law for its debts, five Law Lords ruled yesterday.

The 48-page ruling, coming after a hearing lasting nearly six weeks in June and July, was the final blow to the hopes of bank and broker creditors of the insolvent ITC that they might recover what they are owed from the council's *members – the UK, 22 other* states and the European Community.

The ruling upheld judgments by the High Court and Court of Appeal which, while suggesting that the ITC and its members had a moral responsibility to the creditors, ruled that *English law gave the creditors* no remedy.

The Law Lords held that the ITC was a separate legal personality distinct from its members; that the members were not liable for its debts because they had not been parties to the contracts it entered into; that there was no rule of international law making members of an international organisation jointly and severally liable *for its debt defaults; that the* ITC had not contracted as agent for its members; and that the UK courts could not appoint a receiver of the ITC..

Lord Griffiths said he dismissed the creditors' appeals with regret because in his view they "have suffered a grave injustice which Parliament never envisaged at the time legislation was first enacted to enable international organisa*tions to operate under English* law."

Lord Griffiths: creditors "suffered grave injustice"

Lord Templeman: "no evidence or authority"

The "obvious just solution," Lord Griffiths said, was that the governments that had con*tributed to the ITC's buffer* stock "should provide it with funds to settle its debts in the same proportion that they contributed."

But, said Lord Griffiths, "this end must be pursued through diplomacy and an international solution *must be found to an international* problem. It cannot be solved through English domestic law."

Lord Templeman said that the creditors' arguments were unsustainable and, if accepted, would involve a breach of the British constitution and an invasion by the judiciary of the functions of government and parliament.

He said the Lords had been urged "to discern or invent and apply" some rule of English or international law which would make the member states liable *to discharge the ITC's debts* "because, so it is said, the member states have behaved badly."

However, the case could not *be decided by criticising* the states for establishing the ITC, by blaming them for its failure or condemning their management of it, or by attributing to *the operations of the metal* exchanges the fall in tin prices which bankrupted the ITC, *inflicted a loss of up to £500m on the states* and caused poverty and unemployment to the producing states.

"The courts possess neither the evidence nor the authority to pronounce judgment on these matters. International diplomacy and national policy will decide whether the debts of the ITC, an international organisation established by treaty, shall be discharged by the member states and, if so, in what manner the burden should be shared. English judges cannot meddle with unincorporated treaties," Lord *Templeman said.*

The rulings were made on appeals by two London Metal Exchange traders – J.H. Rayner (Mincing Lane), part of the S&W Berisford group, and Maclaine Watson, a subsidiary of Drexel Burnham Lambert.

They also disposed of part of actions by other broker and bank creditors which had joined in Rayner's action to argue on the members' liability issue.

In the remaining part of those other actions the High Court ruled in February that the non-UK ITC members did not have sovereign immunity against creditors' damages claims based on alleged reckless or fraudulent misrepresentation.

The states were subject to the jurisdiction of the English court because of the commercial nature of the transactions *that gave rise to the creditors'* claims, said Mr Justice Evans.

The judge said that the six bank and nine broker creditors had no sustainable case against the UK for either negligent misrepresentation or fraudulent trading.

He said although the broker creditors had a good claim against the UK for fraudulent *misrepresentation*, the 1828 Statute of Frauds (Amendment) Act gave the UK a defence to such a claim by providing that no legal action should be brought unless the representation relied on was made in writing and signed by the defendants.

That last ruling took the edge off the creditors' delight at the judge's decision on sovereign immunity, which merely put the foreign states in the same position as the UK *and therefore gave them also* the 1828 Act defence.

Oil prices down amid reports on Opec output

By Steven Butler

OIL PRICES fell yesterday amid reports of rising crude production from the Organisation of Petroleum Exporting Countries.

North Sea Brent Oil for *December delivery finished the* day off 45 cents at $18.57½ cents a barrel in European trading.

Oil prices *have now fallen* by about a dollar a barrel in the past ten days amid perceptions that the market is well supplied with oil coming into the winter season.

Kleinwort Benson, the London broker, yesterday issued a report putting Opec output as high as 23m barrels a day in October. This compares with Opec's production ceiling of 20.5m b/d agreed at the end of September.

The report also said that Saudi Arabian production had crept up to 5.5m b/d, which would put it significantly over the Saudi production quota of 5m b/d. Production also rose in Kuwait, to 2m b/d, and in Iran, to 2.9m b/d.

Some analysts have suggested that certain Opec members would wish to see a slightly weaker oil price coming into the November 25 ministerial meeting in order to put pressure on other members to make compromises on an agreement to take oil off the market and lift prices again.

The Kleinwort report, however, stressed that none of the Opec members wished to see a *repeat of the production free-for-alls* seen in 1986 and 1988.

Congo taps its potential in expanding oil industry

Howard Schissel on new finds and rising output

THE ONLY good news these days for the troubled Congolese economy is emanating from the rapidly expanding oil industry.

Production is scheduled to increase by more than 10 per cent in 1989, reaching the *record level of some 156,000* barrels a day. Moreover, the economic outlook for the 1990s has improved significantly following a big oil discovery by the Chicago-based Amoco Corporation.

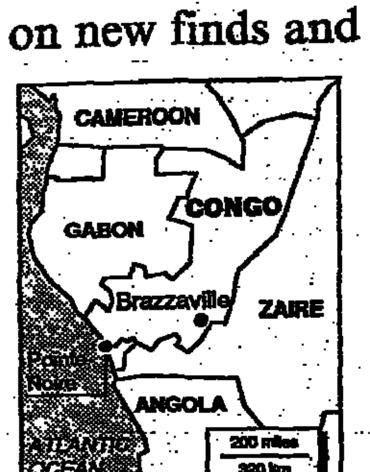
On its offshore Marine 1 block, the American group has struck what could turn out to be one of the largest finds in Congo's history. Amoco is the operator on this permit in association with the state-controlled Hydro-Congo and the Kuwait Foreign Petroleum Exploration Company.

A 22-well development programme is currently under way on Marine I, with production set to come on stream by mid-1991. By early 1992, output from *this permit will be at least 40,000 b/d, Amoco officials* predict.

Thus by 1992 Congo's output should climb above the 200,000 b/d mark for the first time, overtaking Cameroon to take fourth place in the African oil production league, behind Nigeria, Angola and Gabon.

Oil represents about 80 per cent of Congo's export earnings, accounting for revenues *of $540m in 1988. Industry officials* estimate Congolese oil income in 1989 at about $630m.

The important onshore Rabi-Kounga discovery in neighbouring Gabon also bodes well for the future of Congo's oil industry, as does extensive finds in Angola's Cabinda enclave, particularly the big Malongo field.



In spite of Amoco's offshore discovery, interest is now principally focused on high-potential onshore areas along the coastal plain. Hardly any systematic exploration activities have previously been undertaken in this zone.

Last year, the onshore Kayes block at the centre of the pro*lific Congo Coastal Basin*, extending from southern Gabon into Angola, was split into three permits, with Chevron and Conoco of the US and British Petroleum chosen as operators. Hydro-Congo has a 50 per cent share in each permit.

"The granting of this acreage to newcomers underlined the determination of the Congolese authorities to diversify their partners *in the strategic oil* industry," said a Western diplomat.

As in other former French colonies, such as Cameroon and Gabon, France's state-controlled Elf Aquitaine is the primary force in the oil sector; it produced last year 83.1 per cent of Congo's output from offshore fields, notably Sendji, Yanga, Emeraude and Tchibouela.

The new onshore licence holders are currently carrying out preliminary airborne and seismic surveys of the coastal area around the oil centre of Pointe-Noire; BP, for example, does not expect drilling operations to begin before 1990.

Oilmen are sanguine about discovering significant new oil reserves in this promising area, thereby compensating for the expected decline in older offshore fields in the mid-1990s.

Elf Congo is to bring into production at the end of 1990 or early in 1991 the small Tchendo field in the Pointe-Noire Grandes Fonds permit, adding another 10,000 b/d to Congo's production.

The French group experimented on the large Emeraude field, containing some 450m barrels of heavy viscous oil, with costly steam injection recovery techniques, but com*pany officials* said that they are not judged economically viable at current prices.

Elf was named operator during the summer on offshore Marine III block; the company agreed to drill three wildcats on the permit over the next four years.

Italy's Agip, for its part, began development last year of the offshore Zatchi field, with production scheduled to reach *10,000 b/d in 1990. A second* phase could eventually boost output to the 25,000 b/d level.

Agip Recherches Congo, also producing crude from the offshore Loango field, acquired last year two new offshore permits, Marine VI and Marine VII, and is planning to drill a series of wells in each of the licence areas.

Diamond miners return to work

STRIKERS at De Beers' South African diamond mines have begun returning to work after reaching agreement on improved pay and holidays.

About 8,000 members of the National Union of Mineworkers (NUM) struck at the diamond company's mines on Monday after mediation had failed to narrow the difference between the union's demand for a 26.5 per cent wage increase and increases ranging from 16.5 per cent to 18 per cent offered by De Beers.

The union has accepted De Beers' offer backdated to May 1 rather than to July 1, the usual date for implementing annual wage increases. In addition, *the company has conceded* June 16, Soweto Day, as a paid holiday.

De Beers' South African mines produce about one third of the group's diamonds, with the rest coming from Botswana and Namibia where the NUM is not represented.

Attack on US grain subsidies

By Chris Sherwell in Sydney

THE US's grain subsidy policies have cost US taxpayers billions of dollars, depressed world prices, failed to reduce European exports and hurt countries like Australia, according to a critical study published in Canberra.

The study, by the Australian Government's Bureau of Agricultural and Resource Economics, follows similar detailed analyses of European and Japanese rural subsidies. And its findings echo those recently published by the US's own Department of Agriculture.

The publication coincides with US revelations of its detailed proposals for the *Uruguay Round of Gatt talks on* international agricultural reform – proposals which entail the abolition of its own controversial Export Enhancement Program (EEP).

According to the Australian study, this programme – a discriminatory export subsidy designed to dispose of US public grain stocks – has depressed prices received for exports by both the US and competing countries, and has failed in its key aim to reduce EC exports significantly.

It says the policies were not only misdirected and ineffective, "they are also costly and cumbersome." In 1986 and 1987 they cost US taxpayers about US$16bn. And there were costs on top of that.

One result, it argues, has been competitive subsidisation, producing increased protection levels.

"As the Europeans and Canadians have matched the US support measures," the bureau says, "reductions in grain production and exports have been forced on largely non-subsidising exporters such as Australia and Argentina."

It adds: "Just one element of the EEP – price discrimination – is estimated to have cost Australian wheat producers some US$200m in 1987 and 1988 combined, and reduced Australian production in 1987-88 by about 1m tonnes, or 6 per cent."

The bureau acknowledges that it is too optimistic to expect complete elimination of support, but says assistance could be provided through instruments which are far less distortionary.

One possibility is "tradeable support entitlements," in which growers have an entitlement to produce a limited quantity of grain which is less than would be produced without government intervention.

This would receive a price higher than the world price through US taxpayers, and additional production would receive the world price. US consumers would also pay the world price. The entitlements would be tradeable to facilitate industry adjustment.

Council reduces wheat estimate

THE London-based International Wheat Council has reduced its estimates for both wheat and coarse grain production in 1989-90. But both remain well above the levels produced in 1988-89.

In its latest Market Report, published yesterday, the council put 1989-90 wheat output at 538m tonnes, down from the 542m tonnes it forecast in the September issue, and cut the coarse grains figure by a similar amount to 812m tonnes. In 1988-89, wheat production totalled 503m tonnes and coarse grain output was 729m tonnes.

The lower wheat figure is attributed chiefly to a further deterioration in the Australian outlook because of prolonged dry weather. The council reduced its estimate of US production by 600,000 tonnes but raised the Canadian figure by a similar amount.

The lower coarse grains figure is blamed mainly on dry weather in Argentina.

Cocoa producers tackle prices

By Mark Huband in Abidjan

LEADING COCOA producers are this week hoping to agree on a new formula to bolster falling prices.

The Cocoa Producers' Alliance meeting in Lomé, capital of the West African state of Togo, hopes to conclude a week-long conference today with measures which will go some way towards replacing the failed International Cocoa Agreement. The agreement groups cocoa consumers as well as producers in an accord which aims at stabilising the market through a buffer stock system.

The CPA, members of which account for about 80 per cent of world cocoa production, will consider the creation of a $30m fund to be used for measures aimed at stabilising the cocoa price, which is currently at its lowest for 14 years. However, it is thought unlikely that the details of a new scheme could be agreed before a decision is reached on the disposal of the International Cocoa Organisation's existing 250,000-tonne buffer stock.

The effects of the international agreement's failure to bolster prices (the buffer stock is at its maximum and members have been unable to agree on a supplementary scheme for withholding supplies from the market) are still being felt in both the markets and political circles.

In the Ivory Coast, the world's biggest cocoa producer, the failure lay behind the sacking last week of Mr Denis Bra Kanon, the Agriculture Minister, in a wide-ranging cabinet reshuffle.

In 1986, Mr Bra Kanon was responsible for the Ivory Coast joining the International Cocoa Agreement.

Now cocoa policy in the country is being controlled by Mr Alain Gauze, a Minister of State delegated to the office of President Felix Houphouet-Boigny. Mr Gauze was a vociferous critic of the agreement even before Ivory Coast joined.

A collective effort by producers is seen as the key to future price stabilisation.

The $30m required to finance the scheme now being proposed will not be reimbursed to participating producer countries. Although the details have still to be worked out, a system of compensation is expected to be introduced, financed out of the existing buffer stock.

WORLD COMMODITIES PRICES

LONDON MARKETS

CONTINUED talk of Ivory Coast selling kept cocoa prices under pressure *yesterday and nearby positions on the* London futures market fell to fresh 14-year lows. The March position fell £13 to £690 a tonne, taking the decline on the week so far to £26. Coffee's recent tentative rally ran out of steam, meanwhile, with the January futures quotation ending £22 down at £652 a tonne. On the London Metal Exchange most base metals prices resumed their downward courses after Wednesday's rally. Cash Grade A copper closed £20 lower at £1,666 a tonne – the lowest level since mid-August – after the market had failed to follow through on Wednesday's £12 rise. On the nickel market which had not taken part in the previous day's rally, the cash position fell another $85 to a 19-month low of $10,237.50 a tonne, and traders said charts were still pointing downwards.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$15.80-5.90w	-0.08
Brent Blend	$18.55-8.60q	-0.45
W.T.I. (1 pm est)	$19.45-9.48w	-0.41
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$181-193	-1½
Gas Oil	$178-179	-4
Heavy Fuel Oil	$98-100	-2
Naphtha	$154-156	
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$368.00	+0.25
Silver (per troy oz)♣	512c	-1
Platinum (per troy oz)	$478.6	-0.9
Palladium (per troy oz)	$135.6	-0.9
Aluminium (free market)	$1795	-30
Copper (US Producer)	115¾-23½c	-4¼
Lead (US Producer)	40.5c	
Nickel (free market)	475c	
Tin (Kuala Lumpur market)	20.55r	+0.13
Tin (New York)	357.5c	-5.0
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	113.89p	+0.36*
Sheep (dead weight)†	163.59p	+9.05*
Pigs (live weight)†	100.79p	-3.72*
London daily sugar (raw)	$347v	-1
London daily sugar (white)	$388.5v	
Tate and Lyle export price	£331.0	-0.5
Barley (English feed)	£110.5q	-1.5
Maize (US No. 3 yellow)	£124.50	-0.25
Wheat (US Dark Northern)	£122.25	-0.25
Rubber (spot)♥	55.5p	
Rubber (Dec)♥	58.50p	-0.25
Rubber (Jan)♥	58.80p	-0.25
Rubber (KL RSS No 1 Nov)	228.0m	+1.0
Coconut oil (Philippines)§	$482.5y	+2.5
Palm Oil (Malaysian)§	$320.0q	+7.5
Copra (Philippines)§	$310q	
Soyabeans (US)	£170q	+2
Cotton "A" index	82.00c	+0.15
Woolltops (64s Super)	506p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	708	727	727	698
Mar	690	703	704	684
May	700	715	713	695
Jul	718	730	726	708
Sep	729	745	742	722
Dec	755	768	762	750
Mar	776	792	790	774

Turnover: 7638 (8631) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 25 827.62 (847.78) :10 day average for Oct 26 837.57 (838.40)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	665	725	723	660
Jan	652	684	687	650
Mar	672	686	686	669
May	685	711	708	685
Jul	710	725	725	708
Sep	730	744	745	730
Nov	754	765	760	750

Turnover: 6091 (4088) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 25: Comp. daily 61.72 (61.18). 15 day average 60.39 (60.36)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	314.00	317.00	315.00	
Mar	308.60	312.80	312.80	308.80
May	303.40	307.40	307.60	303.60
Aug	298.80	301.40	301.40	299.00
Oct	290.40	292.40	292.20	
Dec	282.00	290.00	285.00	
White				
Dec	381.00	381.80	380.00	380.00
Mar	383.80	384.80	384.80	382.00
May	381.50	383.20	382.50	381.20
Aug	383.00	400.00	389.50	389.00
Oct	373.00	374.00		
Dec	364.00	365.80	364.00	364.00
Mar	365.00	364.80	365.00	

Turnover: Raw 1608 (1518) lots of 50 tonnes. White 415 (1317)
Paris- White (FFr per tonne): Dec 2380, Mar 2405, May 2470 Aug 2540, Oct 2380, Dec 2325.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Dec	18.17	18.52	18.30	18.13
Jan	17.88	18.18	18.00	17.88
Feb	17.75	17.88	17.80	17.71
IPE index	18.48	18.41		

Turnover: 11083 (9202)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	173.25	177.75	175.75	173.25
Dec	170.50	175.00	173.00	170.00
Jan	168.00	172.00	169.75	167.75
Feb	164.75	168.00	165.50	164.25
Mar	159.75	162.75	160.75	159.50
Apr	157.00	160.00	158.00	157.00
May	155.50	158.50	155.50	

Turnover 12095 (7484) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 19,075 tonne
Cash	1795-805	1825-35	1820/1800	1795-800		
3 months	1763-5	1787-70	1767/1753	1755-6	1753-4	33,262 lots
Copper, Grade A (£ per tonne)						Ring turnover 44,500 tonne
Cash	1665-7	1705-7	1724	1722-3		
3 months	1674-4.5	1691-2	1704/1664	1704-5	1684-5	75,242 lots
Lead (£ per tonne)						Ring turnover 6,775 tonne
Cash	465-7	474-5	474	473.5-4.5		
3 months	456-7	462-2.5	464/455	454-5	455-7	12,289 lots
Nickel ($ per tonne)						Ring turnover 1,914 tonne
Cash	10200-75	10320-5	10300/10250	10275-300		
3 months	9950-5	10060-80	10050/9950	10000-25	9950-600	6,676 lots
Tin ($ per tonne)						Ring turnover 1,210 tonne
Cash	7700-50	7810-30	7820	7820-30		
3 months	7745-50	7840-50	7800/7730	7820-40	7730-50	5,644 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 20,225 tonne
Cash	1540-60	1625-35		1495-500		
3 months	1580-85	1580-95	1540/1485	1480-5	1520-5	14,880 lots
Zinc ($ per tonne)						Ring turnover 2,050 tonne
Cash	1480-90	1505-15		1460-500		
3 months	1470-2	1480-5	1485/1485	1480-2	1480-5	3,281 lots

LME Closing £/$ rate: SPOT: 1.5103 3 months: 1.5655 6 months: 1.5647 9 months: 1.5449

POTATOES – IPE £/tonne

	Close	Previous	High/Low	
Nov	123.5	125.0	125.0	123.0
Feb	157.0	157.0		
Apr	200.0	197.0	201.0	197.5
May	227.0	224.5	227.0	226.0

Turnover 311 (167) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low	
Dec	144.20	144.50		
Feb	146.00	145.00	146.50	
Apr	143.50	144.00	143.00	

Turnover 20 (0) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low	
Oct	1635	1630	1635	1627
Nov	1693	1677	1693	1668
Jan	1680	1670	1680	1670
Apr	1686	1686	1690	1680
Jul	1425	1424	1425	1424
BFI	1627	1624		

Turnover 501 (764)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low	
Nov	106.35	105.10	106.40	105.95
Jan	111.60	110.90	111.90	111.00
Mar	115.00	114.90	115.00	
May	118.40	118.10	118.40	118.00
Jun	120.10	119.70		
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.65	105.60	105.75	105.65
Jan	109.70	109.50	109.75	
Mar	112.75	112.50	112.75	
May	114.50	114.30		

Turnover: Wheat 210 (306), Barley 38 (44). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	133.0	131.0		
Nov	132.0	131.0		
Feb	118.0	118.0	117.8	117.0
Mar	118.5	118.5	117.5	117.0
Jun	117.5	117.5	117.5	
Aug	113.0	114.8	112.0	

Turnover 14 (0) lots of 3,250 kg

FRUIT AND VEGETABLES

New season Spania satsumas are excellent value at 30-40p a lb as are English Cox's apples 25-45p (28-45p) and Bramleys 22-30p (20-30p), reports FFVIB. Bananas are 38-58p, lemons 10-20p and oranges 6-25p. English Comice pears are 30-50p a lb (30-40p), pineapples 80p-£2.00. Broccoli is 40-85p a lb and cabbages at 15-30p. Carrots are 15-25p, Dutch carrots 10-28p (12-28p), cauliflowers 35-45p (35-50p). Mushrooms are 35-55p a ½ lb. Onions are 15-25p a lb, parsnips are 25-45p (28-40p). White potatoes are 10-15p. Round lettuces are 35-55p each, iceberg lettuces at 40-75p. Cucumbers are 40-60p (30-60p), tomatoes 35-60p a lb.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	368¾-369¼	229¼-229¾
Opening	367½-368	228¾-229¼
Morning fix	368.40	229.227
Afternoon fix	368.60	229.066
Day's high	369¼-369¾	
Day's low	367½-368	
Coins	**$ price**	**£ equivalent**
Mapleleaf	376-383	235-238
Britannia	376-383	235-238
US Eagle	376-383	235-238
Angel	377-382	234¼-237¼
Krugerrand	365-371	228¼-230¼
New Sov.	86-87½	53¾-54¼
Old Sov.	86-87½	53¾-54¼
Noble Plat	485.35-493.05	301.95-306.70
Silver fix	**p/fine oz**	**US cts equiv**
Spot	318.60	512.10
3 months	330.75	523.20
6 months	342.30	535.95
12 months	365.40	565.70

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	102	110	1	44
1800	20	60	24	94
1900	2	29	100	161
Copper (Grade A)	**Calls**		**Puts**	
2500	114	151	6	61
2700	43	93	34	149
2800	14	57	[illegible]	[illegible]
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
600	64	96	22	26
650	38	69	34	47
700	19	46	65	74
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	75	62	15	29
700	38	45	31	[illegible]
750	18	34	[illegible]	[illegible]
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800	[illegible]	[illegible]	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

IN THE METALS, early action was sluggish as the GNP figure failed to provide direction, reports Drexel Burnham Lambert. Gold, silver and platinum all gained later as small market weakness and technical buying provided support. December gold rose 3.10 while silver futures added on 7.7 cents. Fund selling and stops pressured the copper market. In the softs, cocoa sank to new contract lows on heavy volume. Coffee and sugar drifted lower after local dealings. The grains featured lower prices in wheat futures while the corn and soy complex were mixed. December wheat fell 7 cents. All of the livestocks were lower as stock weakness and cash prices weighed on the markets. February bellies lost 87 as the days biggest decline. The energy complex featured very choppy action before closing lower for the day.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	372.5	369.1	372.5	369.3
Nov	372.7	370.5	0	0
Dec	374.4	372.3	376.3	372.0
Feb	378.3	375.2	380.5	376.4
Apr	381.7	380.5	383.7	381.0
Jun	385.7	385.3	388.2	385.2
Aug	392.1	388.7	0	0
Oct	396.4	392.9	0	0
Dec	402.5	397.3	401.3	401.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	485.0	480.9	485.0	485.0
Jan	489.4	485.0	490.5	484.1
Apr	494.0	490.5	494.5	489.5
Jul	498.1	494.4	496.5	495.5
Oct	502.4	499.4	0	0
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	518.4	511.4	0	0
Nov	519.8	512.1	0	0
Dec	523.7	516.0	524.0	516.1
Jan	525.6	518.9	0	0
Mar	531.1	527.3	535.0	527.0
May	543.4	538.8	546.0	539.5
Jul	550.2	542.1	549.0	542.5
Sep	557.9	549.7	556.5	549.5
Dec	566.2	560.3	566.0	562.0
Jan	572.9	564.5	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	113.45	115.05	115.20	113.45
Nov	113.70	115.30	115.20	113.70
Dec	114.20	115.55	116.70	112.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 26	Oct 24	mnth ago	yr ago
1846.0	1845.8	1874.7	1895.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.73	130.76	129.46	134.04
Futures	129.48	129.24	129.94	135.32

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	19.37	19.62	19.55	19.34
Jan	19.21	19.52	19.40	19.18
Feb	19.16	19.42	19.28	19.15
Apr	19.00	19.25	19.10	18.98
May	18.92	19.17	19.02	18.90
Jun	18.84	19.09	18.99	18.82
Jul	18.76	19.01	18.88	18.75
Aug	18.70	18.94	18.81	18.73
Sep	18.65	18.88	18.75	18.69

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	5710	5844	5795	5700
Dec	5745	5887	5830	5740
Jan	5700	5846	5800	5690
Apr	5230	5307	5280	5230
May	5080	5147	5150	5070
Jun	5000	5047	5025	5025

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	951	989	985	950
Mar	970	1007	998	970
May	990	1016	1010	991
Jul	1005	1034	1025	999
Sep	1051	1077	1071	1050
Dec	1076	1100	1086	1074

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.58	73.68	73.40	71.60
Mar	74.50	75.58	75.00	73.70
May	76.25	77.27	77.00	76.00
Jul	78.25	79.25	79.25	78.00
Sep	80.20	81.40	81.25	80.15
Dec	82.55	84.58	84.20	82.80
Mar	86.30	87.18	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.98	14.20	13.80	13.80
Mar	14.00	14.20	14.08	13.90
May	13.76	13.93	13.80	13.76
Jul	13.50	13.59	13.50	13.46
Oct	13.18	13.28	13.20	13.07
Mar	12.75	12.87	12.75	12.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.18	73.97	74.50	73.87
Mar	75.70	75.48	75.90	75.30
May	76.25	76.25	76.65	76.20
Jul	76.25	76.20	76.50	76.15
Oct	70.00	69.90	70.00	69.75
Dec	66.85	67.00	67.10	66.80
Mar	67.70	67.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	131.80	128.65	132.75	129.75
Jan	124.80	124.70	126.00	124.00
Mar	125.15	124.85	126.00	124.40
May	125.55	125.35	126.00	125.25
Jul	125.80	125.80	127.25	126.00
Sep	125.80	125.70	126.00	126.00
Nov	125.80	125.70	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	569/4	566/0	568/2	564/6
Jan	579/6	579/6	581/2	577/4
Mar	592/4	591/6	594/4	590/4
May	600/4	600/6	603/4	599/0
Jul	605/4	605/4	608/4	605/0
Aug	605/6	606/4	606/4	604/0
Sep	590/0	590/0	591/0	589/0
Nov	588/2	586/4	587/4	585/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.40	19.31	19.46	19.23
Jan	19.54	19.51	19.58	19.43
Mar	20.00	19.94	20.03	19.87
May	20.30	20.32	20.40	20.25
Jul	20.62	20.57	20.68	20.52
Aug	20.62	20.60	20.65	20.60
Sep	20.63	20.62	20.57	20.50
Oct	20.75	20.70	20.80	20.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	185.1	185.6	186.0	184.7
Jan	182.2	183.8	183.9	183.0
Mar	181.7	182.0	182.0	181.5
May	180.0	180.3	180.3	179.7
Jul	179.5	179.8	179.8	178.5
Aug	178.5	178.0	178.0	178.3
Sep	177.5	177.5	177.5	177.5
Oct	177.0	177.5	177.5	177.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	244/0	243/2	245/4	242/4
Mar	249/6	249/6	247/4	249/2
May	250/6	249/4	251/0	249/0
Jul	251/0	250/2	252/0	251/2
Sep	244/2	243/6	244/4	243/0
Dec	241/0	239/6	241/0	239/6
Mar	247/6	246/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	399/4	406/4	404/4	399/0
Mar	400/6	405/4	405/0	400/2
May	378/2	381/4	382/0	378/0
Jul	346/4	350/2	349/4	346/2
Sep	349/4	352/0	350/0	349/0
Dec	365/0	367/0	367/4	366/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.65	75.20	75.20	74.52
Feb	74.10	74.57	74.72	73.85
Apr	74.82	74.66	74.82	74.10
Jun	71.57	71.92	71.97	71.65
Aug	69.90	70.07	70.10	69.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	46.97	47.80	47.75	46.85
Feb	45.07	46.72	46.75	45.60
Apr	43.17	43.57	43.55	42.85
Jun	47.67	47.85	47.75	47.25
Jul	47.02	47.05	47.05	46.75
Aug	45.70	45.72	45.75	45.70
Oct	42.70	42.72	42.72	42.70
Dec	44.40	44.40	44.40	44.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.45	53.32	53.35	52.10
Mar	52.22	52.97	53.12	52.05
May	52.85	53.40	53.15	52.25
Jul	52.80	53.05	53.15	52.15
Aug	50.35	51.05	51.20	50.35

LONDON STOCK EXCHANGE

Uncertain prospect for equity market

THE resignation of Mr Nigel Lawson, the UK Chancellor of the Exchequer, and then of Sir Alan Walters, the economic advisor to the British Prime Minister, came nearly one hour after the close of a depressing trading session in London equities. The unexpected development was regarded as highly negative for the stock market and for sterling. Equity strategists fear a heavy fall in shares when the market opens today.

The fall in the sterling/DM rate immediately following the news was perceived as a warning signal which could presage selling of UK equities by foreign investors who are already deeply uncertain of the outlook for the UK economy and for sterling. The departure of Mr Lawson deepens confusion in the City over official policies on sterling and domestic interest rates, as well as introducing concern over the Conservative Party's electoral prospects.

The news came as a shock to the few market traders who were still in their offices and was seen as a serious blow to the already fragile nerves on the UK stock market. "The market needs immediate action to restore confidence," commented Mr Howard Coates at BZW, the large UK investment banking house.

Earlier, the equity sector, depressed by a range of bearish economic comment and by unexpectedly poor trading figures from ICI, had been finally cut down in the final hour of business by another opening slide on Wall Street. The late setback sent the FT-SE Index below the lowest closing quotation of last week's mini-Crash to finish the session 32 points off at a closing level not seen since the middle of June.

The market had opened a shade easier as worries over recessionary pressures on the UK economy continued to unsettle investors. UBS Phillips & Drew, one of the major London-based securities houses, had warned overnight that sterling's vulnerability made a further rise in base rates to 16 per cent a possibility.

However, share prices rallied and were looking relatively steady until confidence began to slip as the time passed without any sign of the third-quarter results from ICI, which was expected to be the market's chief hurdle of the day. The agony involved in waiting for ICI proved nothing compared to that inflicted by the results; pre-tax profits of £306m for the third quarter, against £347m last time, were nearly £40m below market estimates.

Shares in ICI promptly fell heavily, although market makers warded off the sellers by swiftly cutting their quotations. The rest of the market quickly followed suit and the Footsie extended its early fall to show a loss of 27 points. A rally then set in as ICI steadied, but was then wiped out by Wall Street's opening fall. The FT-SE Index closed 32.5 points down at 2,129.4.

Account Dealing Dates		
*First Dealings:		
Oct 16	Oct 30	Nov 13
Option Declarations:		
Oct 26	Nov 9	Nov 23
Last Dealings:		
Oct 27	Nov 10	Nov 24
Account Day:		
Nov 6	Nov 20	Dec 4

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Oct 26	Oct 25	Oct 24	Oct 23	Oct 20	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.31	85.21	84.88	84.86	84.59	88.74	89.29 (5/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.06	94.04	94.05	94.05	93.74	97.45	95.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1720.5	1751.9	1739.3	1772.6	1761.0	1503.2	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	188.5	195.8	195.1	198.3	197.3	188.5	215.2 (28/3)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2129.5	2161.9	2149.3	2188.7	2179.1	1852.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.81	4.72	4.75	4.66	4.66	4.64				
Earning Yld %(full)	11.59	11.36	11.42	11.21	11.24	11.65				
P/E Ratio(Net)(*)	10.43	10.64	10.58	10.78	10.74	10.37				
SEAQ Bargains(5pm)	22,058	20,020	23,239	21,323	18,280	23,694				
Equity Turnover(£m)†	-	789.28	631.05	474.49	711.49	1424.59				
Equity Bargains†	-	20,536	20,096	20,319	19,205	28,472				
Shares Traded (ml)†	-	336.2	298.5	241.7	311.9	555.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ✝ Nil 10.34

Ordinary Share Index, Hourly changes — Day's High 1750.5 Day's Low 1720.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1749.0	1750.2	1745.6	1739.9	1739.9	1730.6	1732.3	1732.3

FT-SE, Hourly changes — Day's High 2160.8 Day's Low 2129.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2157.4	2160.6	2155.8	2152.3	2150.5	2141.2	2143.6	2144.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

GILT EDGED ACTIVITY

Indices	Oct 25	Oct 24
Gilt Edged Bargains	107.3	119.0
5-Day average	104.9	107.3

Morgan bid talk returns

The takeover speculation that has surrounded Morgan Grenfell, the merchant bank, virtually since the bank went public in 1986, erupted again yesterday after news that Willis Faber, the insurance broking group, had conditionally agreed to sell its 20.4 per cent stake in MG to Banque Indosuez. Banque Indosuez is the banking arm of Compagnie Financière de Suez of France.

The news, coming hard on the heels of the intense speculation of recent weeks - which provoked denials from MG that it was involved in bid talks with a third party or contemplating a management buy out - saw MG shares race up to 435p at one point as the market immediately took the view that a full bid would follow quickly.

But the Banque Indosuez statement said that it would not launch a full bid for MG within a year unless a third party makes a bid for MG or acquires a stake of more than 15 per cent. A bout of profit-taking then lowered the MG share price to a closing level of 400p, a net gain of 38.

Specialists said that Banque Indosuez would most likely want full control of MG but that the agreement of the MG board and senior executives would be crucial. MG revealed that it had held talks with Banque Indosuez earlier this year but that these talks terminated in May.

A possible starting point for any bid activity would be in the region of 500p, the price at which MG shares were originally sold on the London market, dealers said. "At the very least, if Banque Indosuez was to launch a full offer it would have to be above 462p. It has agreed to pay 410p a share for a 10.5 per cent stake in MG from Willis Faber and has the right to buy the remainder of Willis' stake, 9.8 per cent, for 462p. Willis shares closed unchanged at 254p, after 259p.

ICI profits gloom

It was hard to find a dealer or analyst with a good word to say about ICI after the company posted its near 12 per cent fall in third quarter profits.

"Those figures are going to get worse," said Mr Alasdair Nisbet at UBS Phillips & Drew. Mr Martin Evans, analyst at BZW said that the ICI figures "emphasise the uncertainty" over what will happen next year.

Several analysts pointed out that while bulk chemicals had held up well, if the sector were to turn down in the near future "then things will be really bad." One analyst said: "We are reduced to looking at ICI as a yield stock, but it is currently too expensive for that."

Analysts reduced their profits forecasts for the company. Mr Evans cut his figure from £1600m to £1550m for both the current year and next year, continuing to imply no profit growth between the two. Mr Nisbet was even more pessimistic, reducing this year's forecast from £1600m to £1530m, and next year's from £1450m to £1400m. Both analysts recommended selling the stock.

News of the announcement triggered a bout of heavy selling in London, which was echoed in New York after Wall Street's opening. Volume in London swelled quickly from less than 500,000 shares before the announcement to 3.4m by the market's close. Traders said volume in the ADR in New York was also heavy. ICI share closed at the lowest point of the day, down 73p at 1097p.

The Morgan Grenfell news stirred up the rest of the merchant banks, but dealers and analysts were quick to point out that most are protected by large family shareholdings and various crossholdings.

Hambros moved up to 224p but later came off the top to close a net 5 higher at 218p. Among big holders in Hambros are Guardian Royal, 8.8 per cent, Baltica, 10 per cent, Banco San Paolo di Torino, 12.2 per cent and Banco di Bilbao, 6 per cent. At Kleinwort Benson, trustees hold 18.4 per cent, the Kleinwort family has 6.1 per cent and AIG, the US insurance group, has 6.5 per cent. Kleinwort shares were 3 up at 337p.

The clearing banks came under pressure with the rest of the market but dealers said downgradings of Lloyds, Barclays and NatWest by one securities house had little impact on sentiment. Lloyds ran back 9 to 349p on turnover of 1.4m, NatWest 5 to 291p and Barclays 6 to 459p. More switching out of Royal Bank of Scotland into Bank of Scotland left Royals 2 easier at 163p.

The insurance sectors were mixed. Lifes attracted plenty of profit-taking after the buying of the past few weeks based on takeover rumour and stakebuilding speculation. But Refuge, where Athena, the French insurance group, has been busy increasing its holding to a last-revealed 9.34 per cent, edged up 5 more to 654p; there is still a persistent buyer there," said one dealer. Likewise, Britannic, with its 10 per cent stake in Refuge, edged up to 565p.

Composites were easier but quiet although there was persistent support for Commercial Union which settled marginally higher at 447½p.

The bankruptcy filing of a US airline did little to boost confidence in British Airways. BA has fallen sharply in recent days and yesterday fell another 4 to 190p in steady turnover of 1.4m shares.

Profit-taking knocked Polly Peck after several strong days and the shares closed 12 down at 332p.

US buying helped support Reuters against the trend and the price firmed 5 to 900p, having touched 913p at best. Marketmakers once again mentioned the start of dealing in traded options next week as a positive factor.

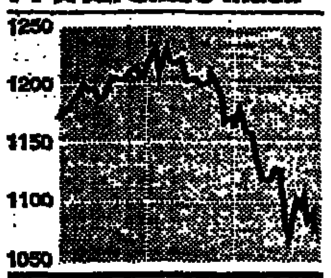
British Steel was another FTSE-100 share to resist the wider market's malaise. It moved in a narrow range before closing unchanged at 125p. Turnover, at 3.5m shares, was nothing special for the stock, but the fact that trading remains liquid even on dull days added to its attractions.

The implications of the ICI results spilled over into the oils where petrochemicals contribute substantially to profits of the two majors, BP and Shell, both of which are scheduled to announce third quarter figures next month.

BP and Shell, holding up well before the ICI figures came out, were both marked down by some 5p before steadying at the close.

Nevertheless, BP were still some 6 lower at 289p after turnover of 6.9m while Shell closed 4 down at 417p on 3.7m; County NatWest came out with a "switch Royal Dutch into Shell" note.

British Gas mirrored the market trend, slipping 3⅛ to 192¼p on a strong 7.1m. Stories that the company's latest wells in Egypt and Syria had proved unsuccessful failed to cause much damage to LASMO which settled only 2 easier at 510p on turnover of 1.3m.



Enterprise were among only a handful of stocks up on the day, the shares closing 3 firmer at 591p albeit in thin trading. The company's high risk/high reward Vietnamese drilling programme underway next week and should keep interest in the stock bubbling along. And a series of presentations to institutions starts today at one of the top UK securities houses in London and will be followed up next week in Scotland. Burmah ran into a bout of profit-taking which saw the shares drop 11 to 663p, while Calor eased 7 to 427p.

Tesco were boosted by talk that Hoare Govett had recommended a switch out of Argyll into Tesco.

But helping to keep Tesco down was a long report by analysts at Citicorp Scrimgeour Vickers which recommended switching out of Tesco and into Sainsbury. Mr John Woolman of Citicorp said "the long running story of Tesco catching up with Sainsbury is over."

At the beginning of the month there had been evidence of switching out of Sainsbury and into Tesco with some analysts saying Tesco was set to become the market leader in the next decade.

However, this week some investors began to believe Sainsbury was lagging behind and decided to move their funds in the opposite direction. The approach of Sainsbury's results was cited as a reason for this change of tack. Tesco closed down 4 at 187p, Sainsbury ended down 6 at 257p, and Argyll dropped 6 to 213p.

Body Shop put in a good performance, rising to 390p at one point before closing 11 better on the day at 376p. Dealers blamed scrappy demand in a thin market.

Marks & Spencer showed early weakness as analysts at Morgan Stanley changed their recommendation on the stock from hold to weak hold. Marketmakers expressed the view that this was as negative as one could be on such a quality stock. They marked M&S down 3 at the wider market's best point and the stock closed at its low point of the day, 6 off at 188p.

Mr Mark Husson, at Morgan Stanley, said: "M&S is at a 5 year high to the stores sector - although interims will be good, there could be a cautious statement." His profits forecast is in the middle of the £195m to £209m range predicted by analysts for the interims due on October 31.

A recent overseas buyer of Burton stayed in the wings and the shares fell 9 to 185p. Good figures from mail order house N Brown pushed the shares 6 better to 144p.

The conditional go-ahead from the Monopolies and Mergers Commission for a bid for Tootal from Coats Viyella left the former 7 better at 120p and the latter down 5 at 142p.

Further consideration of Wednesday's bid speculation helped James Dickie climb another 10 before subsiding with the rest of the market to close unchanged on the day at 180p. ICI's disappointing figures hurt Williams Holdings because, said marketmakers, both companies have paint divisions. Williams fell 10 to 225p.

Siebe continued to suffer from Wednesday's downgrading by UBS Phillips & Drew. It closed 11 lower at 497p, while British Aerospace gave up all the previous day's gains to finish 15 down on the day at 557p. BAe had been sought in the hope of Airbus orders from Aeroflot, the Soviet carrier. Yesterday profit takers produced the only business and turnover was a slim 245,000 shares.

GKN were depressed on press comment that the company might become involved in Meggit's bid for United Scientific Holdings. Dealers were sceptical, but GKN slipped 18 to 371p anyway. Meggitt fell a penny to 91p added USH added a penny at 141p.

Further thoughts on Vickers' agreed bid for Ross Catherall left the former another 8 weaker at 208p. Ross ended unchanged at 243p, compared with the 253p offer. The $6.8m acquisition of Burmuh Laboratories in the US by Ocean Transport and Trading helped the stock resist the market's weakness. The shares closed just a penny off at 308p. Vague talk of a broker's downgrading hurt P&O, down 19 at 567p. One securities house mentioned was BZW, but it denied it had cut forecasts.

There was a long list of minus signs in the electronics but turnover was again mostly thin. GEC, long regarded as among the sector's best defensive stocks, were only marginally easier at 221p, on good turnover of 5.3m. STC, heavily sold recently, rallied 2 to 276p while Ferranti managed a slight gain at 56p on 2.6m after keen business

Lucas eased in thin volume after a positive start. It opened up 2 at 617p, but slipped to 610p by the close. Analysts at Nomura, however, pointed out in a report that Lucas was the most profitable quoted auto component company in Europe and recommended it as a buy to investors. It said that while recent results had not been spectacular "they are enough to put a floor under a share price recently volatile on market stories."

Hays, the conglomerate, began trading yesterday. It opened at 98p, below the 105p issue price. Institutions were modest buyers of stock at 101p and 102p and the stock eventually closed at 101p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 32

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	1,400	190	-4	Harrisons & Cros.	624	748	-2	RMC	495	616	-8	Taylor Woodrow	140	259	-4
British Gas	7,100	192¼	-3⅛	Hawker Siddeley	128	614	-17	RTZ	1,500	495	-10	Tesco	803	187	-4
British Land	65	315	-7	Hillsdown Hldgs.	1,700	271	-5	Racal	4,000	224		THORN EMI	309	727	-7
BP	6,900	289	-6	IMI	161	212	-2	Rank Org.	988	834	-12	Trafalgar House	1,900	328	-22
British Steel	3,500	125¼	+¼	Imp. Chem.	3,400	1097	-73	Reckitt & Colman	214	1130	-7	Trusthouse Forte	1,300	275½	-9½
British Telecom	2,100	268	-3	Inchcape	373	268	-4	Redland	313	495	-4	Ultramar	809	319	+1
Burmah Oil	560	663	-11	Jaguar	2,800	720	+5	Reed International	763	377	-1	Unilever	439	635	-5
Burton	3,800	185	-9	Kingfisher	353	385	-5	Reuters	1,300	900	+5	United Biscuits	1,500	339	-4
Cable & Wireless	1,700	491	-7	Ladbroke	2,200	275	-3	Rolls Royce	3,500	162½	-3½	Utd. Newspapers	190	451	
Cadbury Schweppes	1,200	339	-8	Land Securities	730	589	-4	Rothmans	1	665	-2	Wellcome	344	605	+8
Carlton Comms.	558	765	-22	Laporte	267	458	-5	Royal Bk of Scotland	840	163	-2	Whitbread "A"	996	352	-6
Commercial Union	1,600	447½	+½	Legal & General	989	356½	-4½	Royal Insurance	2,000	480	-1	Williams Hldgs.	1,600	225	-11
Cookson	541	305	-4	Lloyds Bank	1,600	348	-10	STC	417	276	+2	Wimpey	381	220	-7

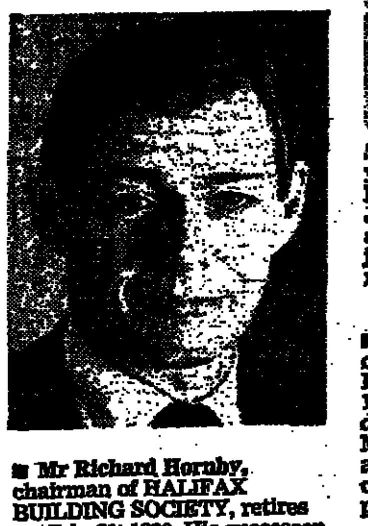
NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (17). BANKS (1) Morgan Grenfell, [illegible] MINES (1) Leslie.

NEW LOWS (48). AMERICANS (3) Amdahl, Gt. American Bk., TRINOVA, CANADIANS (3) Granges, Gt. Pan. Res., Muscocho, BUILDINGS (5) Beggeridge Brick, Heywood Williams Pf., Laing (John), McCarthy & Stone, Meyer Int., CHEMICALS (1) Plysu, STORES (2) Honeysuckle, Moss Bros., ELECTRICALS (3) CrayElectronic, Domino Printing, Pressac, ENGINEERING (2) Chemring, McKechnie, HOTELS (1) Harmony Leisure, INDUSTRIALS (7) AAF Inds., [illegible] Tinsley Robor., PROPERTY (2) Cap & Counties 5¼pc Pf., UK Land, SOUTH AFRICANS (1) Abercom, TRANSPORT (1) Seafield, TRUSTS (6) City & Westminster Cv. 1998, Dundee & London, Edinburgh Fd Man., Kleinwort Smaller Co's., L.I.T. Hldgs., MINES (3) Europa Minerals, S. African Land, Sandhurst Mining, THIRD MARKET (4) ChemEx Intl., Edinburgh Hib., Kromagraphic, Rentsminster.

APPOINTMENTS

New chairman at Halifax Building Society



■ Mr Richard Hornby, chairman of HALIFAX BUILDING SOCIETY, retires on July 31, 1990. His successor will be Mr Jon Foulds (above) who has been a director since 1986. Mr Foulds joined 3i in 1959 (then ICFC) and was chief executive from 1976-88. He is now deputy chairman of 3i, chairman of Brammer, and a non-executive director of Eurotunnel, Mercury Asset Management Group, Portals Holdings, and of several investment trusts.

Sir Peter Walters (left), who steps down next March after eight years as chairman of British Petroleum, is to join the board of BLUE CIRCLE INDUSTRIES on December 1 and will succeed Sir John Milne (right) as non-executive chairman following the annual meeting on June 1. Mr Jim McColgan, who was appointed joint managing director last June, will assume full executive responsibility as group managing director on October 31 when Mr David Poole retires because of ill health.

■ Mr Desmond Pitcher, group chief executive and director of Littlewoods Organisation since 1983, has been appointed a director of NATIONAL WESTMINSTER BANK's northern advisory board. He is chairman of the Mersey Barrage Company.

■ At HAMBROS BANK Mr C.R.B. Cox, Mr M.T.N. Mansfield, Mr A.C. Peake and Mr M.J.B. Watson have been made directors.

■ Mr Derek Bell, former chairman of De Vere Hotels, part of Greenall Whitley, has joined OLLERTON DEVELOPMENTS as a director.

■ CHARTERHOUSE DEVELOPMENT CAPITAL has appointed the following directors: Mr Geoff Arbuthnott, Mr Tony May and Mr Tom Plant.

■ THE BRITISH ACADEMY OF FILM AND TELEVISION ARTS has appointed Mr Harry Manley as its director of finance. He was group managing director of Colour Film Services.

■ At NEM INSURANCE Mr Colin Jones has become deputy managing director of NEM (WEST INDIES). On July 1 1990 he will take over as managing director. Mr Jones is a director of NEM Re (USA) and NEM West Indies.

■ Mr Tony Dodd has been appointed managing director of XEROX ENGINEERING SYSTEMS. He was previously managing director of Versatec Electronics, which has been merged with the engineering product sales arm of Rank Xerox in the UK to form the new company.

■ Mr Tom McCafferty, joint founder and chief executive of Fraser Williams, has become president of the COMPUTER SERVICES ASSOCIATION.

■ JOHN LELLIOTT (CONTRACTS) has made the following changes. Mr Stuart McConnachie, formerly construction director, joins group chief executive Mr Robert Marshall as joint managing director. Mr David Laidlaw has taken on the new role of commercial director.

Three other board appointments have been made: Mr David Brewin, Mr Ian Lumsden, who is made responsible for a new regional office at Staples Corner, London, and Mr David Murray, responsible for special projects.

■ Mr Richard Westcott has joined MERRILL LYNCH INTERNATIONAL as a managing director, investment banking division. He was a director of Warburg Securities.

■ WELLAND HOMES WEST has appointed Mr Guy Fordham as managing director. He was manager, East Midlands region, George Wimpey.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54.72	54.72	58.53	+0.24	4.68
Gilts & Fixed Int	6	109.6	109.6xd	116.6	+0.20	8.58
High Inc Equity	6	126.7	126.7xd	135.6	+0.80	4.68
Worldwide Bond	6	203.8	203.8	216.8	+0.20	4.89
Capital Growth						
American Growth	6	196.6	199.0	211.8	+1.00	0.90
Asian Pacific	6	111.90	114.4	121.8	-0.80	1.07
Assets & Earnings	6	149.9	149.9	160.4	+0.60	2.31
Capital Reserve Acc	0	87.81	87.82	87.90	+0.1	4.55
Capital Reserve Inc	0	77.95	77.95	78.03	+0.1	5.13
Comdty & Energy	6	106.30	106.3xd	113.7	+0.40	1.67
1992 Enterprise	6	57.43	57.43	61.43	-0.2	2.08
Euro Capital Acc	6	93.42	94.47	100.5	-1.00	0.75
Euro Capital Inc	6	90.07	91.13	96.95	-0.95	0.77
General	6	168.0	168.0	179.7	+0.10	2.78
International	6	54.75	55.58	59.13	+0.16	0.85
Japan	6	123.2	124.7xd	132.7	+1.00	0.00
Mastertrust	6	89.44	89.44	95.66	+0.14	1.78
UK Growth Acc	6	179.7	179.7xd	192.2	+0.10	1.46
UK Growth Dist	6	118.6	118.6xd	126.9	....	2.21
US Emerging Cos	6	54.35	56.07xd	59.65	+0.78	0.00
Income & Growth	6	289.2	296.5	315.5	+1.00	3.25
Ethical	6	44.86	44.86	47.98	-0.5	2.08
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5½	32.80	32.80	35.02	-0.91	2.82
European	5½	72.52	72.72	77.63	-1.07	0.00
European Income	5½	69.15	69.15	73.82	-1.20	2.47
Exempt	1	747.2	747.2xd	777.1	+0.50	1.93
Buckmaster Mangmt Co Ltd—Contd.						
International	5	116.6	116.6	123.3	+0.3	3.26
(Accum Units)	5	160.4	160.4	169.6	+0.5	3.26
Smaller Co's	5	102.4	102.4	108.3	-0.3	2.26
(Accum Units)	5	112.6	112.6	119.1	-0.3	2.26
Inv Portfolio	2½	51.25	53.16	54.80	-0.15	4.02
(Accum Units)	2½	53.20	55.18	56.89	-0.15	4.02
High Income Port	3	46.08	46.44	48.12	-0.08	6.34
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dtd Gilt & FI	1¼	54.59	54.59	55.38	+0.02	12.85
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Gwth	5¼	50.67	50.67	54.58	-0.17	1.97
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	51.58	51.58	56.28	-0.31	2.23
Global Tst	5½	45.39	45.39	49.16	-0.14	2.01
Recovery Tst	5½	46.31	46.31	51.72	-0.26	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	106.0	107.7	113.6	....	4.25
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	95.56	97.19	103.4	+0.4	2.50
UK Income	6	95.74	97.38	103.6	+0.2	5.64
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	63.07	63.07	67.09	+0.39	1.31
CS International	5	59.23	59.23xd	63.01	+0.10	1.66
CS Japan	5	152.7	152.7	162.4	+0.4	0.20
CS Portfolio Inv ♦	5	68.36	68.36	72.72	-0.14	2.59
Canada Life Unit Tst Mngrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	139.2	142.0	149.4	-0.30	3.10
Do Gen Accum	5	235.2	239.8	252.5	-0.40	3.10
Do Income Dist	5	89.96	92.37xd	97.23	-0.38	5.79
Do Inc Accum	5	211.9	217.6	229.1	-0.90	5.79
Gilt & Fxd Int	5	36.50	36.59	38.51	+0.19	8.33

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd—Contd.						
PM European Gth	5	58.59	58.59	62.32	-0.97	0.71
PM Japan Gth	5	84.76	84.76	90.17	+1.64	0.27
PM Overseas Gth	5	56.74	56.74	60.36	+0.32	0.43
Prudential Holborn Unit Tsts Ltd (1445)H						
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn Linkline 0800 010345						
Two Hourly Pricing						
Holborn Trust	6	23.97	24.26	25.94	-0.02	0.93
Holborn Comm	6	74.55	74.55	79.73	-0.55	0.30
Holborn Equity Inc	6	62.76	62.76	67.12	+0.02	4.93
Holborn Equity	5	542.18	551.86xd	583.97	-2.27	3.43
Holborn European	6	142.80	144.18	154.20	-0.85	0.22

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2327						
Equity Growth Acc	6	18.27	18.54xd	19.84	+0.09	4.06
Equity Growth Inc	6	17.35	17.60	18.84	+0.08	4.06
Intl Growth Acc	6	24.10	24.53xd	26.26	-0.17	0.62
Intl Growth Inc	6	23.58	24.00	25.69	-0.16	0.62
Global Income Acc	6	21.05	21.22	22.71	-0.19	4.98
Global Income Inc	6	19.54	19.71	21.10	-0.18	4.98
Market Leaders Acc	6	18.91	19.08	20.42	+0.11	4.17
Market Leaders Inc	6	17.66	17.82	19.07	+0.10	4.17
Scottish Widows' Fund Mngmt (0659)H						
PO Box 902, Edinburgh EH16 5BU 031-668 3724						
Equity Acc	6	380.4	380.4	405.7	+3.1	3.80

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] - 0001 to 1100 hours; [illegible] - 1101 to 1400 hours; [illegible] - 1401 to 1700 hours; [illegible] - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1. 01-407 4404						
Wellington Income	5¼	131.8	131.8	141.2	-0.5	5.40
Wellington Growth	5¼	213.0	214.9	228.6	-1.0	1.37
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 290432						
Wessex UK Grth	4½	103.5	107.3	111.8	-0.2	3.13
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger & F	2¼	59.72	59.72	61.24		10.27
Short Bnd Gilt & F	1¼	61.61	61.61	62.72		6.80
U.S. Govmt Bond & F	1¼	.5792	.5792	.5827		10.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Fdmn W'wide	5	187.3	189.6	201.71		2.62
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convertl & Equity	5	58.60	61.38	65.19	-0.11	7.25
European	5	74.74	75.15	79.94	-0.22	0.36
Far Eastern	5	63.92	66.54	70.78	+0.14	0.62
Growth Inc	5	76.44	79.90	84.00	-0.32	1.59
Growth Acc	5	76.42	79.97	85.07	-0.32	1.59
Income Inc	5	73.38	75.64	80.47	-0.10	5.27
Income Acc	5	73.48	75.75	80.58	-0.10	5.26
Property Share	5	47.92	47.92	51.07	+0.30	1.11
Smaller Co's	5	49.48	49.48	52.94	-0.01	1.79
Nth American	5	61.46	61.96	65.90	-0.20	1.46
International	5	48.43	48.43	51.79	+0.09	1.44
Asset Value	5	153.58	153.58	164.25	-0.07	4.45
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Bloomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	110.55	110.55	116.37		4.05
UK Growth	5	90.35	90.35	95.10		3.15
UK Income	5	93.11	93.11	98.01		4.59
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	56.29	56.29	62.16	+0.02	2.90
YUTM UK Equity Inc	5¼	55.33	55.33	60.98	-0.08	4.95
YUTM Intl Grwth Tst	5¼	54.79	54.79	58.47	-0.08	0.76

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
European Fd Acc(z)	261.4	275.1	-2.4	-
Intl Fxd Int Fd Acc(z)	209.9	220.9	+0.2	-
Fixed Int Acc(z)	249.7	263.1	+1.8	-
Gtd Money Fd Acc(z)	241.6	254.3	+0.1	-
High Income Fd Acc(z)	113.5	119.4	-0.3	-
Intl Man Fd Acc(z)	420.2	442.3	-0.1	-
Japan F d(z)	312.8	329.2	+1.1	-
UK Smlr Cos Fd Acc(z)	113.4	119.3	+0.1	-
European Metro	117.7	123.8	-0.6	-
Global Metro	105.6	111.1	-0.2	-
Sunrise Metro	122.1	128.5	+0.4	-
UK Metro	107.1	112.7	+0.2	-
Nth American Fd Acc(z)	206.9	217.8	-	-
Pac Basin Fd Acc(z)	157.2	165.5	-0.5	-
Prop Fd Acc(z)	353.5	372.1	+0.8	-
Millennium	95.9	100.9	+0.2	-
Multiple Inv Acc(z)	714.5	752.1	+0.9	-
Pension Funds				
Brit Blue Chip Acc(z)	148.7	156.5	-0.8	-
Eq Pen Fd Acc(z)	1980.3	2084.5	+7.2	-
Euro Fd Acc(z)	352.5	371.0	-4.9	-
Fixed Int. Acc (z)	724.9	763.0	+3.7	-
Gt Money Pn Acc(z)	442.6	465.9	+0.2	-
High Interest	150.1	157.0	+0.1	-
High Income Fd Acc(z)	119.1	125.3	-0.4	-
Intl Man Fd(z)	642.5	676.2	-0.3	-
Jap Pen Fd Acc(z)	448.0	471.5	+0.3	-
UK Smlr Co's Fd Acc(z)	118.2	124.4	+0.2	-
European Metro	129.3	136.0	-0.9	-
Global Metro	111.0	116.8	-0.3	-
Sunrise Metro	135.9	143.0	+0.6	-
UK Metro	113.3	119.2	+0.3	-
N Am Pn Fd Acc(z)	257.9	271.4	+0.1	-
Pac Basin Fd Acc(z)	186.2	196.0	-0.9	-
Property(z)	627.3	660.3	+1.9	-
Multiple Inv Pens Acc(z)	1450.1	1526.4	+2.3	-
Broker Funds				
Prof. Pen. Fd	97.0	102.1	+0.4	-
YRA Strategy	123.9	130.4	-0.3	-
YRA Performance	107.3	112.9	-0.1	-
Langholm Dollar (S£)	139.8	147.2	-	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	268.5	282.7	+0.1	-
Equity Acc	860.0	905.3	-1.6	-
Property Acc	517.4	544.7	-	-

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	122.0	129.0	-1.0	–
Building Soc. Fd	176.0	186.0	—	–
Balanced	276.0	291.0	—	–
European	184.0	194.0	—	–
GT Managed	184.0	194.0	—	–
Gartmore Mngd	125.0	132.0	-2.0	–
German	143.0	151.0	+1.00	–
Gilt	176.0	186.0	—	–
Global	49.0	52.0	—	–
High Inc	108.0	114.0	—	–
International Equity	191.0	202.0	—	–
Japan	270.0	285.0	+1.00	–
Managed	56.0	59.0	—	–
Property	294.0	310.0	—	–
R. W. Imperial Gold	148.0	156.0	—	–
UK Equity	317.0	334.0	-1.00	
Pension Funds				
American	155.0	164.0	—	
Building Soc. Fd	179.0	189.0	—	
Balanced	218.0	230.0	—	
European	191.0	202.0	—	
German	126.0	133.0	—	
Gilt	153.0	162.0	—	
International Equity	143.0	151.0	—	
Japan	148.0	156.0	—	
Managed	62.0	66.0	—	
Property	225.0	237.0	—	
UK Equity	303.0	319.0	-1.00	
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	91.96	97.22	—	–
Pensions Cash Fund	81.01	85.27	—	
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd	594.7	626.7	-1.0	–
Adventurous Mngd	128.4	135.4	-0.5	–
Secure Mngd	108.9	114.8	-0.6	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	203.3	214.0	+1.5	–
Guaranteed	13.83		-0.17	–
International Money	208.5	219.5	-0.6	–
North American	78.8	83.0	-0.1	–
Japanese	159.8	168.3	+2.6	–
European	104.7	110.3	-1.3	–
Special Situations	108.2	113.9	-0.3	–
Communications	102.6	108.0	-0.3	–
Smaller Companies	103.3	108.8	+0.1	–
International Small Cos	141.3	148.8	-0.1	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Oct 25	£158.05	163.09	+1.44	–
Equity Oct 25	£166.09	172.23	+2.30	–
International Oct 25	£28.52	29.15	+0.07	–
Intl Bond Oct 25	£12.73	12.90	-0.10	–
Fixed Int Oct 25	£73.84	74.65	+0.06	–
Index Linked Oct 25	£62.53	63.30	-0.31	–
Property Oct 25	£116.40	123.26	—	–
Cash Oct 25	£21.9088	21.9088	+0.0024	–
Pru-Linked Retirement Plan				
Managed Oct 24	386.0	402.1	—	–
Cash Oct 24	205.6	214.2	—	–
Prudential Pensions Investment Account				
Pens Mngd Oct 26	153.1	164.6	-1.9	–
Pens UK Eq Oct 26	281.8	303.8	-4.5	–
Pens Intl Oct 26	196.3	211.3	-1.7	–
Pens Fixed Oct 26	171.0	180.5	+1.0	–
Pens Index Lr Oct 26	160.7	169.6	+0.7	–
Pens Cash Oct 26	134.2	141.4	—	
Regency Life Assurance Co Ltd				
Regency Hse, Lamark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	118.2	124.4	-0.2	–
Balanced Ptflio Fd	308.1	324.3	-0.7	–
Cautious Ptflio Fd	122.0	128.4	—	–
Elite Fund	106.5	112.0	—	–
European Fund	92.7	97.5	-0.2	–
Far East Fund	109.9	115.6	-0.3	–
Fixed Interest Fund	242.8	255.5	+0.5	–
International Fund	288.6	303.7	-0.6	–
Money Fund	181.5	191.0	+0.1	–
N. American Fd	124.7	131.2	-0.3	–

	Init. Charge	Cons. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Rothschild Asset Management—Contd.						
OCCFL $$			[illegible]	90.589	[illegible]	4.22
OCCFL Pts			[illegible]	2122.78	+0.71	13.28
OCCFL SKr			[illegible]	105.13	+0.03	10.85
OCCFL SwFr			[illegible]	30.922	[illegible]	6.69
OCCFL U.S.$			[illegible]	15.626	[illegible]	7.97
OCCFL Yen			[illegible]	3569.43	+0.59	5.14
OCCFL Man £	3	[illegible]	10.868	11.204	[illegible]	13.12
Daily Dealings						
Royal Bank of Canada Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
Touche Remnant—Contd.				
	5 £1.108 1.108	1.179	[illegible]	–
Far East	5 £1.154 1.154	1.228	[illegible]	–
Japan	5 £1.162 1.162	1.237	[illegible]	–
UK Blue Chip	5 £1.040 1.040	1.106	[illegible]	–
UK Special Opps	5 £1.154 1.154	1.180	[illegible]	–
Multi-currency Bond	[illegible]			
Wardley Investment Services (Lux) S.A.				
Wardley Global Selection				
Australasia Equity	$- 8.20	8.70	-0.08	–
Canada Equity	$- 9.52	10.11	-0.03	–
Europe Equity	$- 10.51	11.16	-0.10	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
EBC Trust Company (Jersey) Ltd				
EBC Asset Traded Currency Fund Ltd*				
Income	$13.03	13.43	-0.041	6.46
Capital	$19.51	20.115	-0.062	–
*Offer price includes 3% prelim. charge				
EBC Asset Currency Income Fund*				
Income	$9.61	10.1010	-0.0105	9.41
*Offer price includes 5% prelim. charge				
International Income Fund				
US$ Dep Short A		$1.2021	+0.0013	0.24
Do Dist		$0.7810	+0.0013	0.24
Med. Cur Sh't term B		$1.4334		
Do. Dist		$1.0214		0.83
Eurobd.Long Term*	$29.14	30.4601		3.55
* Offer Price includes 3½% Initial Charge				
Equitilink International Mngt Ltd				
First Aust. Prime Inc Inv Co Ltd NAV Oct 20 C$12.40				
First Aust. Prime Inc Inv Co Ltd NAV Oct 20 US$10.56				
NAV Diluted to reflect exercise of all Wrts C$12.07 US$10.28				
Fidelity International (CI) Ltd				
Sterling American (z)	172.00	183.90	-1.20	–
$ Bond Fund (z)	$5.20	5.42	+0.01	7.5
Gilt Fund (z)	25.00	26.10	+0.10	11.20
Fidelity Performance Portfolios Ltd				
American Portfolio (z)	$1.07	1.13	+0.01	–
Do. Sterling Equity (z)	66.09	70.88		–
European Portfolio (z)	$1.70	1.79	-0.01	–
Do. Sterling Equity (z)	104.92	112.42		–
Japan Portfolio (z)	$1.51	1.59		–
Do. Sterling Equity (z)	92.91	99.64		–
S. E. Asia Portfolio (z)	$1.01	1.07	+0.01	–
Do. Sterling Equity (z)	62.62	67.16		–
UK Portfolio (z)	$1.04	1.10		–
Do. Sterling Equity (z)	64.00	68.63		–
Intl Bond Portfolio (z)	$0.95	1.00	+0.01	7.80
Do. Sterling Equity (z)	58.50	62.75		–
Stlg Liquidity Port (z)		$10.55	+0.01	14.00

	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Investment Management Jersey Ltd – Contd.				
Global Bond Fd	$11.56	12.18	+0.04	3.46
Global Fd	$41.68	44.59	-0.16	1.23
Global Man Cur Fd	$10.85	11.43		5.25
Hong Kong Fd	$8.02	8.44	-0.05	–
Japan Fund	$24.58	26.35	+0.16	–
Japan Opps Fd	$18.38	19.44	+0.11	–
North Amer Fd	$13.92	14.68		1.40
Nth American Opps	$10.11	10.72		1.38
Pacific Fd	$10.91	11.79	+0.01	–
Singapore & Malysia Fd	$9.07	9.81	-0.06	–
United Kingdom	$19.61	19.84	-0.14	1.68
Yen Global Bond Fd	$11.67	12.29		7.32
Yen Global Eq Fd	$9.43	10.11	-0.04	6.86
Yen Intl Eq Fd	$8.65	9.25	-0.06	7.05
Wardley Fund Managers (Jersey) Ltd				
Wardley Japan Trust	$16.38	17.39	+0.02	0.12
Wardley Gilt Fund	£1.01	1.06		10.05
Wardley Priv Cap Tst	$18.53	19.67	-0.04	1.40
Wardley Int Equity Tst	$12.25	13.00		0.00
Wardley Bond Tst	$14.98	15.83	-0.03	5.98
Wardley Funds Limited				
Managed Currency Fd	$–	15.587972		–
World Bond Fund–SICAV				
World Bond Fund NAV	$19.86	20.86		0.96
Inv Ad Warburg Asset Mngt London				
World Capital Gwth Fd–SICAV				
WorldCapGwthFd(NAV)	$12.15	12.80		0.78
Inv Adv Warburg Asset Mngt London				
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc	$224.48	236.66	+2.59	7.87
Valued weekly on Wednesdays				

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

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CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

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Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39¼	18¼	Gillette $1	28¼	+⅞	96c	—	2.2
987p	575p	Gt American Bank Bk $1	575p	–15	20c	—	2.2
23⅞	16⅞	Greyhound $1½	19⅜	+⅛	$1.32	—	4.3
14⅝	847p	Hasbro Inc 50c	14	......	16c	—	0.7
57½	32¼	Honeywell $1½	51¼	+1⅛	$2.10	—	2.6
22⅞	15¼	Houston Inds. ‡	21½	......	$2.96	—	8.7
76⅞	62⅛	IBM Corpn $1¼	63⅞	–⅞	$4.84	—	4.8
60p	45p	Image Storage/R.Sys.1c	50p	–2	—	—	—
32¼	18¼	Ingersoll-Rand $2	27⅛	–⅜	$1.20	—	2.8
33¼	22½	Lockheed Crpn. $1	27⅛	+⅝	$1.80	—	4.1
22⅞	15⅛	Lone Star Inds $1	17¼	......	$1.90	—	7.0
27⅞	17½	Louisiana Land 15c	23⅞	–⅛	$1.00	—	2.7
20½	11½	Lowe's 50c	19½	–⅛	48c	—	1.6
28⅛	15⅞	Manuf. Hanover $1	24⅞	+¼	$3.28	—	8.5
22¼	13⅛	Merrill Lynch $1	17⅞	+⅛	$1.00	—	3.5
2477p	1910p	Molex Inc	2382p	+50	3.2c	—	—
30¼	18¼	Morgan (JP) $2½	27¼	–⅛	$1.66	—	3.9
28⅛	24¼	Morris (Phillip)	26⅞	–⅛	$1.13	—	2.6
54½	36¼	NYNEX $1	49	......	$4.36	—	5.6
44p	20p	N'wide Legal Serv.‡	27p	......	—	—	—
24⅞	18¼	PHH Corp. ‡	22¼	+⅛	$1.12	—	3.2
259p	179p	Pacific Agr.‡	190p	......	—	—	—
27¼	19	Pacificorp $3¼	25⅝	–⅛	$2.76	—	6.5
30¼	16⅞	Pacific Telesis 10c	27⅝	......	$1.88	—	4.3
22⅞	15¼	Pall Corp. 25c	28⅞	–⅛	46c	—	1.5
55⅞	39⅛	Pennzoil 83 1/3c	48⅝	+½	$3.00	—	3.9
42¼	28⅝	Quaker Oats $5	38⅞	+⅛	$1.20	—	2.0
32⅞	23½	Rep NY Corpn $5	29⅞	–⅛	$1.28	—	2.8
16¼	11⅞	Rockwell Intl. $1	15⅛	–1⅛	78c	—	3.2
29½	22	Sears, Roebuck 75c	24⅝	–⅛	$2.00	—	5.1
37½	21⅝	Southwestern Bell $1	35⅞	–⅛	$2.60	—	4.6
27⅞	17⅞	Sun Co. Inc. $1	24⅛	–⅛	$1.80	—	4.7
31¼	22⅛	TRW Inc. 62½c	29⅝	......	$1.72	—	3.7
24⅞	14¼	TW Services $5	19⅛	–⅞	10c	—	0.3
40⅞	26¼	Tenneco $5	36¼	+½	$3.04	—	5.3
35⅞	28	Texaco $6.25	32⅞	+½	$3.00	—	5.9
28⅛	20¼	Texas Instr. $1	20¼	......	72c	—	2.2
117⅛	58⅛	Time Inc. $1	84¼	–¼	$1.00	—	0.7
19⅝	14	TRINOVA Corp	14	–⅞	s68c	—	3.1
26⅝	16	USX $1	28⅞	–¼	$1.40	—	4.3
321p	126p	Unilab	288p	......	—	—	—
36⅝	22¼	Utd. Technologies	33⅛	–⅛	$1.60	—	3.1
158p	121p	Unitech Inc	121p	......	—	—	—
48¼	31½	US West ‡	43½	+¼	$3.76	—	5.5
43¼	22⅝	Waste Management $1	39⅜	+⅞	60c	—	1.0
20½	13½	Whirlpool $1	16¼	–¼	$1.10	—	4.2
24⅝	16⅛	Whitman Corp	18¼	–⅛	$1.02	—	3.5
46⅝	28¼	Woolworth $3½	36½	+⅝	$1.88	—	3.3

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
178p	129p	ABM Gold Corp ‡	159p	......	—	—	3.2
26p	4½p	Abbot Energy Corp	25p	......	—	—	—
16½	902p	Amer. Barrick Res.	15⅞	+⅛	—	—	—
28p	10½p	Armeno	16p	......	—	—	—
33¼p	8½p	Angmitto Explo.	11⅝p	–2¼	—	—	—
18¼	12⅞	Bk. Montreal ‡	17⅞	+⅛	$2.12	—	6.5
10⅝	655p	Bk. Nova Scot. ‡	893p	+4	92c	—	5.6
821p	599p	BC Gas $1	787p	–2	60c	—	4.1
23¼	17	BCE ‡	22¼	......	$2.44	—	5.9
17	12½	Brascan ‡	15	–¼	88c	—	3.2
228p	108p	Breakwater Res.	132p	+1	10c	—	4.1
17⅞	11¼	Can.Imp Bank ‡	16¼	–⅛	$1.24	—	—
15¼	997p	Can. Pacific ‡	13¼	......	76c	—	3.0

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
‡ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
‡ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-
Albany Inv 20p.... ♥	88xd	....
Craig & Rose £1.. ♥	830	....
Finlay Pkg. 5p.... ♥	68	-2
Holt (Jos) 25p..... ♥	1343xd	....

IRISH

Stock	Price	+/-
Cap. 8½% Ln. 1991...	£97	....
9pc Cap Ln. 1996..	£97½	....
Fin. 13% 97/02...	£117¾	....
Arnotts..................	410	....
Carrol (P.J.)....... ♥	145	-1
Hall (R. & H.)......	153	-10
Helton Hldgs...... ♥	98	-2
IRG.....................	230	....
United Drug.........	135	....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	38
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	88
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound falls after Lawson quits

STERLING FELL 2¾ cents to $1.5850 in New York in immediate reaction to the resignation of Mr Nigel Lawson, the UK Chancellor. The news came after the pound had closed 30 points higher in London at $1.6125.

Sterling had traded quietly on the sidelines for most of the day, gaining some support from the dollar's decline. The news about Lawson came as a complete surprise to the market, prompting intervention by the Federal Reserve to support the pound as US dealers scrambled to sell the British currency.

Earlier in the day comments made in Parliament by Mrs Margaret Thatcher, the Prime Minister, appeared to give whole-hearted support to her Chancellor, in the conflict between himself and Sir Alan Walters, the Prime Minister's personal adviser on economic policy. She also seemed to endorse Mr Lawson's view by restating the Government's policy of keeping interest rates as high as necessary for as long as necessary to get inflation down.

The pound also fell 4½ pfennigs to DM2.9200 in New York, after closing at DM2.9650 in London, compared with DM2.9625 on Wednesday. At the London close sterling had climbed to Y228.50 from Y228.00, but was unchanged at SFr2.5925 and at FFr10.0625. According to the Bank of England the pound's index closed unchanged at 90.1.

The dollar finished in London towards the bottom of a fairly narrow range, as the currency market cast another nervous eye on Wall Street. A weakening of share prices pushed the dollar below DM1.84 at the close, after it had hovered around this support level for most of the day.

Market sentiment was poised between the nervous equity market, pointing towards a possible lowering of interest rates, and Wednesday's comments by Mr Alan Greenspan, chairman of the US Federal Reserve, when he told Congress that US inflation is too high.

Economic news did not provide any firm guidance yesterday. Third-quarter growth in US Gross National Product was stronger than expected, at a rate of 2.5 per cent, unchanged from the second quarter. On the other hand the price deflator for the period - a guide to US inflation - was lower than forecast at 2.9 per cent, against 4.6 per cent in the previous quarter.

Dealers said the figures raised more questions than they answered, with personal consumption rising 5.8 per cent, the biggest increase since early 1988, while residential building fell 4.8 per cent.

Dealers do not expect an early easing of the Federal Reserve's monetary policy, but in nervous trading the dollar fell to DM1.8380 from DM1.8405; to SFr1.6080 from SFr1.6115; and to FFr6.2400 from FFr6.2525. There was a slight improvement against the yen to Y141.65 from Y141.60. On Bank of England figures the dollar's index rose to 69.5 from 69.3.

The Australian dollar rose to 77.80 US cents in London from 77.72 cents in Sydney.

£ IN NEW YORK

Oct.26	Latest	Previous Close
£ Spot	1.6090-1.6100	1.6135-1.6145
1 month	0.84-0.83pm	0.86-0.85pm
3 months	2.39-2.36pm	2.56-2.54pm
12 months	8.38-8.28pm	8.70-8.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.26	Previous
8.30 am	90.0	89.9
9.00 am	90.0	89.9
10.00 am	90.0	89.9
11.00 am	90.1	89.9
Noon	90.0	90.0
1.00 pm	90.1	90.0
2.00 pm	90.1	89.9
3.00 pm	90.1	90.0
4.00 pm	90.1	90.1

CURRENCY RATES

Oct.26	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.25590	1.44186
U.S Dollar	7	1.28195	1.11502
Canadian $	12.46	1.50616	1.30970
Austrian Sch.	6½	16.5923	14.4752
Belgian Franc	10¼	49.5025	43.1401
Danish Krone	10½	9.17748	8.00529
Deutsche Mark	6.00	2.35776	2.05610
Neth.Guilder	7.00	2.66261	2.32158
French Franc	10¼	8.00962	6.98059
Italian Lira	13½	1732.65	1507.23
Japanese Yen	3¼	181.588	158.277
Norway Krone	8	8.81597	7.68026
Spanish Peseta	-	150.301	131.104
Swedish Krona	9½	N/A	7.13990
Swiss Franc	6.00	2.06779	1.80020
Greek Drach.	20½	210.777	183.778
Irish Punt	-	0.88502	0.772817

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Oct.25

CURRENCY MOVEMENTS

Oct.26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.1	-21.0
U.S Dollar	69.5	-8.7
Canadian Dollar	104.5	+1.3
Austrian Schilling	107.8	+10.6
Belgian Franc	107.1	-5.3
Danish Krone	104.9	-0.0
Deutsche Mark	114.9	+22.3
Swiss Franc	107.4	+16.1
Guilder	111.7	+14.4
French Franc	100.8	-14.4
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

OTHER CURRENCIES

Oct.26	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.48060-0.47930	0.29820-0.29880
Luxembourg	62.20-62.30	38.55-38.65
Malaysia	4.3280-4.3390	2.6920-2.6940
Mexico	4204.35-4221.75	2614.00-2624.00
N. Zealand	2.7115-2.7175	1.6860-1.6890
Saudi Ar.	6.0280-6.0330	3.7500-3.7510
Singapore	3.1495-3.1545	1.9590-1.9610
S. Af (Cm)	4.2455-4.2565	2.6430-2.6460
S. Af (Fn)	6.3455-6.3735	3.9445-4.0240
Taiwan	41.50-41.60	25.80-25.85
U.A.E.	5.9025-5.9075	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1401	+1.61	+0.98	±1.5424
Danish Krone	7.85212	8.00529	+1.95	+1.32	±1.6419
German D-Mark	2.05853	2.05610	-0.12	+0.75	±1.1019
French Franc	6.90403	6.98059	+1.11	+0.48	±1.3719
Dutch Guilder	2.31943	2.32158	+0.09	-0.54	±1.5019
Irish Punt	0.768411	0.772817	+0.57	-0.06	±1.6689
Italian Lira	1483.58	1507.23	+1.59	+1.48	±4.0815
Spanish Peseta	133.804	131.104	-2.02	-1.96	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6025-1.6130	1.6120-1.6130	0.87-0.85cpm	6.40	2.52-2.49pm	6.21
Canada	1.8850-1.8955	1.8910-1.8920	0.48-0.40cpm	2.79	1.35-1.24pm	2.74
Netherlands	3.34¼-3.35¼	3.34¼-3.35¼	2-1¾cpm	6.95	5-4¾pm	5.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Oct.26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.994	1.603	2.947	227.1	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.386	0.622	1.143	88.12	3.880	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.482	0.886	68.25	3.005	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.460	0.742	1.364	105.2	4.630	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.529	0.853	1.567	120.8	5.317	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.606	2.591	4.763	367.1	16.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6125	1.6039	1.5875	1.5647	1.5260

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.5946	1.5966	1.5920	1.6004
Mar	1.5710	1.5724	1.5694	1.5770
Jun	-	-	1.5484	1.5548

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 46,033

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Credit stays tight

CREDIT CONDITIONS were kept tight on the London money market by the Bank of England yesterday. The day-to-day credit shortage was only £100m, but the authorities made no attempt to take this out with bill purchases. This kept overnight money hovering around 15 per cent, and even after late assistance of £85m, overnight funds closed at 15$\frac{1}{16}$-14$\frac{15}{16}$ per cent. Three-month interbank was steady at 15⅛-15$\frac{1}{16}$ per cent throughout the day, compared with 15⅛-15 per cent at Wednesday's close.

UK clearing bank base lending rate 15 per cent from October 5

Short sterling futures continued to move in a very narrow range on Liffe in subdued trading. December delivery traded between 85.45 and 85.50, closing at 85.47 compared with 85.49 on Wednesday. The present price discounts a cash interest rate of about 14¼ per cent at delivery and since the market does not expect any cut in bank base rates before the end of the year, there appears to be room for a fall in the futures price during this period. The differential between three-month interbank and the effective cash rate is at its widest level for over a year.

On the money market bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £274m, with a rise in the note circulation absorbing £70m, and bank balances below target £80m. These factors outweighed Exchequer transactions adding £320m to liquidity.

In New York the US Federal Reserve took the expected action of draining reserves from the banking system via four-day matched sale and repurchase agreements, when Federal funds were trading at 8¾ per cent.

In Frankfurt call money was unchanged at 7.85 per cent, with traders optimistic that the Bundesbank had the situation under control, and there would be no problem for banks in meeting minimum reserve requirements for the month.

This week's allocation of funds at the securities repurchase tender seemed low at first sight, injecting a net DM200m, but public sector salary payments have helped to boost liquidity.

Banks borrowings under the Lombard emergency funding facility rose to about DM900m on Wednesday from DM500m on Tuesday, to repay money lent direct to the market by the Bundesbank on Monday and last Friday. Nevertheless reserve holdings by the commercial banks averaged DM56.9bn for the first 24 days of the month, against an expected average requirement of DM55.9bn.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williams Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat. Bk. of Kuwait	15		

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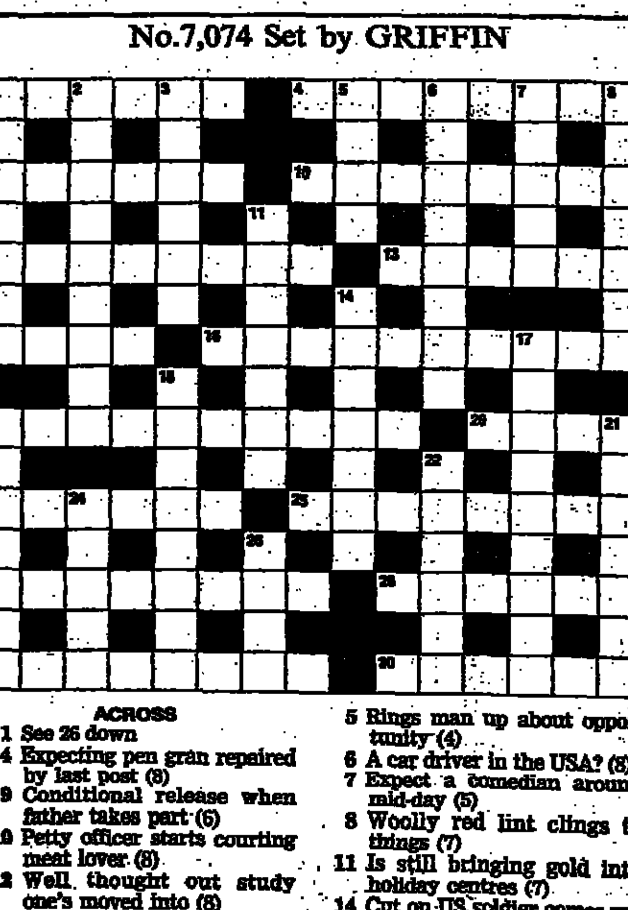
JOTTER PAD

CROSSWORD

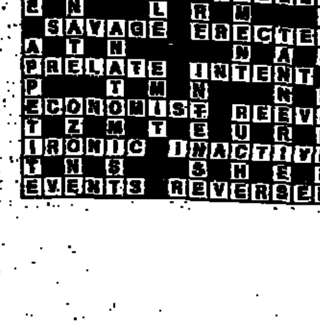
No.7,074 Set by GRIFFIN



ACROSS
1 See 26 down
4 Expecting pen gran repaired by last post (8)
9 Conditional release when father takes part (6)
10 Petty officer starts courting meat lover (8)
12 Well thought out study one's moved into (8)
13 Where posh student takes key from guide (6)
15 Drop Tom, having no time to get vermouth (4)
16 Friendly model admitted being natural (10)
19 Finding guilty con-man on it is bad (10)
20 Having very little money, cry (4)
23 Race Brown back home, clutching ball (6)
25 Reserved fresh container for half-time (8)
27 Broken chair can, leading to chaos (8)
28 Recall always reversing without permission (6)
29 Machine operators, very French, mix lead in it (8)
30 Volunteers left hospital with gift (6)

DOWN
1 Letter box closed by grass (7)
2 Vehicle No 23 is pink (9)
3 Cushion Dicky caught soldier taking (6)
5 Rings man up about opportunity (4)
6 A car driver in the USA? (8)
7 Expect a comedian around mid-day (5)
8 Woolly red lint clings to things (7)
11 Is still bringing gold into holiday centres (7)
14 Cut on US soldier comes up, inflamed (7)
17 So the man, an arbitrator, rushed round (9)
18 No longer a union member? (8)
19 Meeting person exposed to contagion (7)
21 Clear about one case (7)
22 Films US espionage bureau holding men back (6)
24 Sign for craft brought up by engineer (5)
26 and 1 across Steps outside? (4,6)

Solution to Puzzle No.7,073



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. †Prices not fully updated.

CANADA

TORONTO

2pm prices October 26

Quotations in cents unless marked $.

[illegible]

†—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Oct 25	Oct 24	Oct 23	Oct 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2653.28	2659.22	2662.91	2689.14	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.09	92.82	92.73	92.76	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1199.32	1210.70	1236.91	1230.80	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.49	215.04	215.35	215.48	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2684.84 (2680.74) Low 2627.66 (2570.29)

STANDARD AND POOR'S	Oct 25	Oct 24	Oct 23	Oct 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	342.50	343.70	344.83	347.16	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	390.92	392.83	393.58	396.30	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.12	33.05	33.36	33.68	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.52	190.05	190.90	192.12	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	375.92	376.36	379.46	382.57	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	462.89	461.70	467.22	470.67	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 20	Oct 13	Oct 6	year ago (approx.)
Dow Industrial Div. Yield	3.83	4.01	3.62	3.63
	Oct 18	**Oct 11**	**Oct 4**	**year ago (approx.)**
S & P Industrial div. yield	2.95	2.82	2.82	3.19
S & P Indl. P/E ratio	14.28	14.91	14.90	13.03

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Comp Assoc	3,572,200	12⅞	- ¼
[illegible]	3,478,900	39½	- 4½
Phillips Pet. (ad)	3,312,300	23½	- ⅝
Chevron	2,281,100	66⅝	+ 1⅝
Philip Morris	1,935,500	43½	+ ¼
Amer Med	1,788,500	22¼	[illegible]
AT&T	1,599,000	43⅞	+ ⅛
BankAmerica	1,453,700	29⅝	+ ½
Alcoa Alum	1,396,100	22¼	[illegible]
McDonald's	1,356,300	31⅛	- 1⅛

TRADING ACTIVITY

† Volume Millions	Oct 25	Oct 24	Oct 23
New York	155.650	237.960	135.061
Amex	8.861	14.526	10.155
NASDAQ	132.110	152.478	117.175
Issues Traded	1,940	1,954	1958
Rises	766	360	503
Falls	687	1,213	985
Unchanged	487	381	470
New Highs	33	15	17
New Lows	58	79	38

CANADA

TORONTO	Oct 25	Oct 24	Oct 23	Oct 20	1989 HIGH	1989 LOW
Metals & Minerals	3446.28	3499.41	3470.3	3542.70	3919.2 (1/9)	3287.5 (3/1)
Composite	3986.68	3899.13	3922.15	3954.79	4037.8 (6/10)	3350.5 (4/1)
MONTREAL Portfolio	2003.81	2001.78	2003.47	2025.09	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 26	Oct 25	Oct 24	Oct 23	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1648.4	1633.5	1649.1	1668.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	781.7	780.4	790.7	801.6	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	464.44	473.56	470.62	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6411.93	6460.42	6563.53	6560.79	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	338.55	340.96	341.65	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	661.9	660.8	660.9	669.3	815.8 (18/4)	660.8 (25/10)
FRANCE						
CAC General (31/12/82)	517.1	521.6	530.7	527.7	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	118.6	117.8	120.0	120.7	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	630.02	624.76	635.79	639.5	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1870.8	1856.3	1890.5	1900.4	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1482.62	1481.08	1507.37	1523.22	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2691.18	2706.60	2731.97	2732.17	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1713.16	1723.38	1731.63	1739.38	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	644.07	645.61	652.43	661.47	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35678.49	35442.40	35526.55	35585.52	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2697.58	2672.57	2681.22	2687.53	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3694.37	3713.75	3737.95	3734.57	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	252.0	253.3	252.7	260.0	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	193.8	194.7	194.3	199.9	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	628.12	626.32	641.48	649.93	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1278.99	1275.18	1287.69	1283.89	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1330.42	1333.25	1358.42	1365.02	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1578.0&	1544.0	1523.0	1511.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2563.0&	2542.0	2537.0	2526.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	899.12	898.36	903.50	891.30	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	308.43	309.31	313.18	314.55	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4240.10	4239.62	4292.11	4326.06	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	763.5	757.8	770.0	783.8	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10435.95	(c)	10236.01	10108.24	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	686.29	686.97	691.19	(c)	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	532.4	533.4	534.9	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.21: Taiwan Weighted Price: 10130.36. Korea Comp Ex. 886.00.
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday October 26 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu	45.6m	2,740	+190	Ishikawajima H	15.6m	1,230	+50
Nippon Express	38.8m	1,750	+130	Shiseido	14.4m	2,360	+80
[illegible]	28.4m	3,180	+70	[illegible]	13.6m	1,100	+40
[illegible]	23.0m	[illegible]	[illegible]	Nippon Oil	11.8m	1,620	+60
Yasuda F&M	22.7m	1,880	+90	Nippon F&M	11.2m	1,860	+80

3pm prices October 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅞	21¼	AAR	.48	1.3	23	214	36½	35⅞	36½	+ ¼
9⅞	8⅞	ACM n	1.01	11.		165	9⅜	9¼	9⅜	
11⅝	10¼	ACMIn	1.26a	11.		340	11½	11⅜	11½	
10⅛	8	ACM M	n1.01	12.		677	8⅞	8⅝	8⅞	
11½	10	ACM Sc	1.26	11.		633	11⅜	11⅛	11¼	
9⅝	8⅞	ACMSp	1.01	11.		431	9¼	9	9	– ⅛
18	11½	AL Lab	.12	.8	17	43	16	15⅞	16	+ ⅛
4⅛	3⅛	AMCA	.12e	3.3	24	4	3⅝	3⅝	3⅝	
6⅛	4½	AM Intl			11	1190	5⅞	5	5⅛	+ ⅛
23½	20⅝	AM In pf	2	9.3		x17	21⅝	21⅜	21½	
107⅛	49½	AMR			8	9550	73⅜	70½	71¼	–1
27	25	ANR pf	2.67	10.		1	26	26	26	+ ⅛
24⅞	23⅛	ANR pf	2.12	8.6		1	24⅞	24⅛	24⅛	
7⅛	3⅝	ARX				62	3⅞	3¾	3⅞	
46⅞	37¼	ASA	3e	6.5		3065	46⅜	43¾	45⅞	+1⅞
30⅛	16¼	AVX	.24	.9	27	6762	28½	27½	27⅞	– ⅜
68½	44⅛	AbtLab	1.40	2.1	18	1753	66⅛	65½	65⅞	– ¼
18¼	13	Abitibi g	1			29	13⅛	13	13	
13	7½	AcmeC	.40	3.8		291	10½	10¼	10¼	– ¼
9¼	5⅞	AcmeE	.32	3.7	10	5	8⅝	8⅝	8⅝	
38½	20¼	Acuson			28	413	36¼	35¼	36¼	+ ⅜
17	14¼	AdaEx	1.82e	11.		103	16¼	16⅛	16¼	+ ⅛
12⅝	6½	Adobe				4	10⅞	10¾	10⅞	– ⅛
19⅞	16½	Adob pf	1.84	10.		8	18¼	18¼	18¼	– ⅛
21⅝	18⅞	Adob pf	2.40	12.		12	20½	20⅜	20⅜	– ⅛
10½	7⅛	AMD				1822	8⅛	7⅞	8	– ⅛
35	26¾	AMD pf	3	10.		120	29½	29½	29½	+ ⅛
10⅛	6⅞	Advest	.12	1.5	14	56	8⅛	8	8	

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev.
10¼	7½	WyleLb	.28	3.1	15	626	9⅛	9	9¼	− ⅛
28	19⅞	Wynns	.60	2.6	11	23	23¼	23½	23½	
10⅛	4½	Wyse				880	7¼	7⅛	7⅛	− ⅛
		− X−Y−Z −								
69	53⅞	Xerox	3	5.1	16	3267	59⅛	58⅛	58½	−1⅛
44¼	25⅜	XTRA	.72	2.9	8	198	26	d24⅝	24⅞	− ⅞
33	22½	XTRA pf1.94		8.4		14	23¼	23	23	− ¼
4⅛	2	Zapata				216	2½	2⅜	2⅜	
21½	12⅜	ZenithE				3089	12⅛	d12⅛	12⅛	− ½
2½	⅝	viZenLb				342	9-16	½	9-16	
10⅛	7¼	Zenix	1.28	17.		277	7⅝	7⅜	7⅝	− ¼
18½	12½	Zero s	.40	2.6	14	146	15⅝	15¼	15½	+ ¼
44¼	25⅛	Zurein	.76	2.1	17	575	37⅞	36¼	36⅞	− ⅝
12⅞	10	Zweig	1.12e	9.8		149	11⅝	11½	11⅝	+ ⅛
10¼	8¼	ZweigTl	.96	10.		620	9¾	9⅝	9⅝	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
AT&E			469	15½	14⅞	15⅛	− ⅜
ATT Fd2.29e			60	56¼	55½	55½	− ½
Acton		3	7	16½	16½	16½	− ⅛
AirExp		9	31	15⅜	15¼	15¼	+ ⅛
AlbaW			20	7⅛	7½	7½	− ⅛
Allin		65	27	1⅞	1⅞	1⅞	
Alltstar	.1		65	3⅝	3⅝	3⅝	
Alphain		106	28	4⅛	4⅛	4⅛	
Alza		75	407	39⅛	38⅞	39⅛	− ⅜
Amdhl	.30	7	1227	12¼	d11⅞	12	− ⅜
Alsrael	.24e	18	1	15⅜	15⅜	15⅜	+ ⅛
AMzeA	.52	28	63	18¼	18	18	− ⅛
AMzeB	.52	28	2	18	18	18	− ⅛
AMBld			10	½	½	½	−1-16
APetf	3.20	8	5	72½	72¼	72¼	− ½
APrec	.20	25	41	d18½	18	18¼	− ⅛
AScIE			31	8¼	8	8	− ¼
AmSwM	.72e		280	4⅞	4½	4⅞	− ⅛
Ampel	.07e	11	7	1⅞	1⅞	1⅞	− ⅛
ArcAlsk		53	382	11½	11⅛	11⅛	− ⅛
Arrosin		9	10	2⅜	2⅜	2⅜	
Astrotc			41	1⅜	1⅜	1⅜	
Atari			1393	8⅜	8⅛	8⅛	− ⅜
AtlsCM		2	294	2⅜	2⅜	2⅜	
Audvox			48	3	2⅞	3	
− B−B −							
BAT	.38e	10	8451	12	11 7-16	11½	−9-16
BSN			34	6⅛	d 5½	5⅞	
BaryRG		13	39	11⅞	11⅝	11⅝	− ⅜
BergB s	.32	14	x149	25⅞	25⅝	25⅝	− ⅜
BicCp	1.12	14	32	28⅞	28½	28⅞	+ ¼
BlnkMf	1	12	6	33⅞	33⅝	33⅝	− ⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cross	1.24	18	121	35	34½	34½	− ⅝
CrnCP	1.10e	6	40	29¼	29½	29¾	+ ⅛
CrCPB	1.10e	6	65	28⅛	27½	27½	− ⅝
Cubic	.42	7	230	17⅛	16⅞	16⅞	− ⅛
Custmd			448	7-16	⅜	7-16	+1-16
CyprFd			1637	d12¼	11⅞	11⅞	+ ⅛
− D−D −							
DWG			925	15⅛	14¾	14⅞	− ⅛
DataPd	.16	59	186	9⅛	8⅞	8⅞	− ¼
Delmed			1615	½	d ⅜	⅜	− ⅛
Dignstrn		31	19	2½	2½	2½	+ ⅛
Ducom			16	5	4⅞	4⅞	− ⅛
Duplex	.72	13	100	21¼	21⅛	21⅛	
− E−E −							
EAC			66	5⅞	5¾	5⅞	− ⅜
Estgp	2.90e	6	1	21⅛	21⅛	21⅛	− ⅛
EchoBy	.07	30	8497	15¼	14¾	15	+ ¾
EcolEn	.12	19	21	13	12⅞	12⅞	+ ⅛
Elsinor			3932	7-16	⅜	⅜	
EmpirA			204	⅜	5-16	⅜	
ENSCO		18	355	3⅝	3⅛	3½	− ⅛
EplMkt			30	2½	2⅜	2⅜	− ⅛
− F−F −							
Fabind	.70	11	2	35⅞	35⅞	35⅞	− ⅛
FAusPr	1.08		627	9	8 15-16	8 15-16	−1-16
FlaRkP	.70t		12	11⅝	11⅝	11⅝	− ¼
Fluke	.20	10	65	26¼	26⅛	26⅛	− ⅛
ForstL		32	276	39⅞	39	39⅛	− ⅛
FdHly s	.10	21	113	14⅞	13⅝	13⅞	− ⅞
FruitL		8	1422	12⅝	12	12⅛	− ⅛
FurVit			113	2⅞	2⅜	2⅞	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ImpOil	g1.80		216	51⅞	51½	51⅝	− ¼
InstSy		10	88	1⅛	1⅛	1⅛	− ⅛
InsSy pl.25e			10	2	2	2	
IntlgSy	.40e	1	23	2⅞	2¼	2⅞	
IntCty g	.72		170	20⅛	20⅛	20⅛	+ ⅛
Intrmk	.12b		368	10⅞	d10⅞	10½	− ⅜
IntBknt		12	80	4⅞	4⅞	4⅞	− ⅛
IntPwr		17	1	3⅛	3⅛	3⅛	
IntTech			333	5⅛	4⅞	5	+ ⅛
IntThr			36	13-32	⅜	⅜	−1-32
− J−K −							
Jacobs		14	178	23⅛	23½	23½	− ⅛
JanBell		43	619	31	30⅝	31	
JohnPd		9	19	3⅛	3⅛	3⅛	
Kinark		9	10	4⅛	4⅝	4⅝	− ⅛
Kirby	.10e	37	663	8¼	8⅛	8⅛	
− L−L −							
LaBarg			22	⅜	⅜	⅜	+1-16
LdmkSv	.30	4	12	7⅞	7⅞	7⅞	− ⅛
Laser			7	2⅜	2⅜	2⅜	
LeePhr			33	2⅞	2⅞	2⅞	− ⅛
Lionel		31	163	7	6¾	6¾	
Lumex	.08	29	78	11⅞	11⅞	11⅞	− ⅛
− M−M −							
MSR			20	1⅛	1⅛	1⅛	+ ⅛
MagmC		3	472	6⅛	5½	5⅞	
Maxam		6	224	47⅞	45	45⅞	−1⅞
Media	.44		111	34⅛	33⅞	33⅞	−1
Mdcore			67	2⅝	2½	2⅝	
Mem	.40		2	18⅛	18¼	18¼	
MichStr		17	169	8½	8⅛	8⅛	− ⅛
MichE	.24a	50	236	17¼	17	17	− ½

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism		11	21	2⅞	2⅜	2⅜	− ⅛
− R−R −							
RBW		12	2	6¼	6¼	6¼	+ ⅛
Ragan	.12		4	24⅞	24⅞	24⅞	+ ⅛
ReCap		10	2	11⅞	11⅞	11⅞	− ⅛
Riedel		19	45	15⅛	14⅞	14⅞	− ⅞
Rogers	.12		40	23⅛	23	23⅛	+ ⅜
Rudick	.40a	14	36	26⅞	26½	26⅞	+ ⅜
− S−S −							
SJW	1.82	17	x5	26	26	26	− ¼
Scheib	.36	66	3	15⅛	15	15	− ⅛
SbdCp	.50		0	141	141	141	−1⅞
SikesA	.24	14	7	15½	15½	15½	− ⅛
Spelling		23	145	11⅞	10⅞	11	− ⅝
StarrEl	.04e	10	22	2⅜	2⅜	2⅜	
StarlSft			7	7⅛	7⅛	7⅛	− ⅛
StrutW			22	9-16	9-16	9-16	−1-16
Synaloy	.40	6	65	8⅞	9¼	9¼	− ⅛
− T−T −							
TIE			687	1⅛	1½	1½	
TII		14	68	1⅛	1¼	1¼	
TabPrd	.20	19	17	13	13	13	
TandyB		18	114	24⅝	24¼	24⅜	− ½
TelDta	.28	106	57	41½	41⅛	41½	
Teleph			403	3⅞	3⅜	3⅜	− ⅛
TemplE	.45e		271	13⅛	13⅛	13⅛	− ⅜
TexAir			2570	13	12⅜	12¼	− ⅛
Thermd		172	174	18⅛	15⅞	15½	− ½
Thrine		27	108	18⅛	17⅝	17¼	− ⅜

NASDAQ NATIONAL MARKET

3pm prices October 26

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilmTr	1.24	12	13	39⅛	39⅛	39⅛	
WiscTy		20	64	13⅜	13½	13½	+ ¼
WiserO	.40	48	338	19⅜	19¼	19¼	− ⅛
Wolohn	.28	9	176	18½	18	18	− ⅝
WrvEx h			2947	7⅛	7⅛	7⅛	+ ⅛
Worthg	.56	17	1121	24	23½	23⅞	+ ⅛
Wyman	.80		496	15½	14⅜	14⅜	− ⅛
− X−Y−Z −							
XL Dta s		14	467	18⅜	18	18¼	+ ⅛
XOMA			2146	21⅞	21½	21⅞	− ⅛
Xicor		9	386	4⅝	4½	4½	− ⅛
YenEnS	.38e		747	21⅛	21¼	21½	+ ⅛
YelowF	.76	11	2430	25½	24⅞	24⅞	− ½
YorkRs			1	6⅛	5⅞	5⅞	− ⅛
ZionUt	1.44		75	31	30¾	30¾	+ ⅛

AMERICA

Dow weakens on concern over corporate prospects

Wall Street

THE EUPHORIA after last week's recovery from the mini-crash on October 13 continued to dissipate yesterday. Concern about the prospect for corporate earnings as the economy decelerates, and nervousness about volatility caused by programme trading, kept investors on the defensive, *writes Janet Bush in New York.*

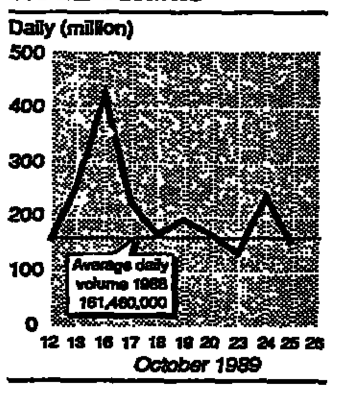
At 2 pm, the Dow Jones Industrial Average was quoted 32.58 points lower at 2,620.70 on moderately active volume of 101m shares.

At one stage yesterday morning, the Dow slumped by more than 45 points in a movement triggered by fluctuations in index futures contracts. Wide price swings have become the norm since October 13, because there has been heavy activity by stock index arbitrageurs as they capture price differentials between the index futures contracts and the underlying stocks in the cash market.

The stock exchange yesterday started trading in its new basket product, called Exchange Stock Portfolios, after the Securities and Exchange Commission approved the go-ahead late on Wednesday. The product allows institutions to buy or sell the entire Standard & Poor's 500 index using computerised strategies in a single trade. Previously, an order to buy or sell the S&P 500 would be split into 500 separate transactions in the individual stocks, an inefficiency which has often been cited as a cause of market volatility.

Trading in ESPs was reported to have had a slow start yesterday, as could be expected with a new product and revolutionary new trading structure.

NYSE volume



Stripping out the effect of programmes, the market yesterday was still weak. There was some concern about the message of yesterday's preliminary figures for third-quarter gross national product which grew by 2.5 per cent, the same as in the second quarter.

That was in line with expectations, but economists noted that growth in the three months to September had been boosted by consumption spending related to car sales; there were also worrying signs elsewhere, such as a levelling-off in exports and rise in imports. A build-up in inventories suggested a further weakening in manufacturing industry which points to lower growth in the fourth quarter.

Technology stocks were particularly weak, after Compaq Computer reported earnings at the bottom end of forecasts and said that the fourth quarter outlook was uncertain. It also said it had found a defect in computer chips supplied by Intel. Compaq fell $9 to $99⅞ and Intel dropped $1⅛ to $31¾.

La Jolla Bancorp jumped $3¼ to $13¼ on news that Security Pacific had signed a letter of intent to buy it for $15 a share in a stock swap.

Canada

SHARP declines on Wall Street sent Toronto midday stocks lower. The composite index lost 14.9 to 3,891.8 on volume of 8.9m shares. Declines outpaced advances by 237 to 197.

Connaught BioSciences rose C$⅝ to C$34¼. Institut Merieux of France agreed a research investment programme with the University of Toronto, thereby removing an obstacle in its bid for the Canadian vaccine-maker.

Campeau dropped C$⅛ to C$8⅝ in spite of a Tokyo press report that a Japanese department store and a group of European and American investors had expressed interest in buying its department store group, Bloomingdales.

ASIA PACIFIC

Stable yen helps Nikkei finish just below record

Tokyo

RELATIVE stability in the currency market and a boost from index-linked buying supported a strong gain in share prices which took the Nikkei average to a record high in the afternoon, *writes Michiyo Nakamoto in Tokyo.*

The last day of trading for delivery within the month brought a mixture of profit-taking and buying in anticipation of a further strong rally. The Nikkei average rose above its previous record of 35,689.98 to a high for the day of 35,697.11, before closing just below the old peak at 35,678.49, a gain of 236.09. The day's low was 35,451.94.

In spite of the upswing, declines outnumbered advances by 502 to 421, while 199 issues closed unchanged. Turnover fell to 887m shares from 1.07bn on Wednesday. The Topix index of all listed shares added 25.01 to 2,697.58, and the London-traded ISE/Nikkei 50 rose 8.60 to 2,083.34.

One broker commented that the market was difficult to understand at the moment. Although it is particularly sensitive to interest rates, yesterday the market ignored the fact that Japanese short-term rates were at historically high levels and, instead, took the view that interest rates in the US would soon be cut.

Interest rate-sensitive issues, such as large-capitalisation steels, shipbuilders and financial companies, enjoyed substantial rises, although institutional investors remained wary. Nippon Steel gained Y24 to Y735, Mitsubishi Heavy Industries climbed Y40 to Y1,100 in active trading and Kawasaki Heavy advanced Y52 to Y1,050.

Shipbuilders attracted interest following a newspaper report that many would increase or resume their dividend payments. Their profits have recovered substantially; Mitsubishi Heavy, for example, is expected to see a 50 per cent rise in pre-tax recurring profits, while its price/earnings ratio is at a relatively low 48.

Securities companies recovered from their recent slump. They are expected to step up their fund-raising, under pressure from the financial authorities to raise their capital adequacy, and this should raise their popularity on the market. Nomura Securities gained Y260 to Y3,450 and Daiwa Securities rose Y170 to Y2,540.

Tokyu Corp, the huge transport, retailing and leisure group, topped the actives list with 43.5m shares, advancing Y190 to Y2,740. Tokyu Department Store, part of the same group, said it was negotiating with Campeau of Canada to purchase Bloomingdales, the US department store group; its share price rose Y40 to Y2,270.

Large-capital issues gained in Osaka, but sluggishness in high-technology issues pushed the OSE average down 68.06 to 36,480.10. Volume slipped to 76.5m shares from 99m.

Roundup

RECOVERIES in two Pacific Basin markets yesterday, one against the odds, failed to convince the locals that prospects were really improving.

AUSTRALIA shrugged off a 2.3 per cent rise in the September quarter consumer price index – in line with more pessimistic market expectations – and the All Ordinaries index rose 14.9 to 1,648.4 in turnover up from 86m shares and A$177m at 93m and A$219m.

Dealers noted that options-related buying had boosted the market and the turnover figures. With the exception of BHP, which rose 16 cents to A$9.50 and topped the active stocks list with 4.5m shares, names in the volume charts – ANZ, National Bank, Elders and Goodman Fielder – were all options-related.

"It was not a convincing day," said one. Bond Corp firmed 1 cent to 31 cents, but its associate, Bell Resources, gained lift-off with a 17-cent rise to A$1.01. SA Breweries has designs on it as the repository for Bond's brewing assets, in potential competition with an existing deal with Lion Nathan of New Zealand.

NEW ZEALAND rallied for the first time this week, as the Barclays index rose 19.03 to 2,110.17, but one broker described it as an unconvincing technical correction. Turnover of 23.5m shares and NZ$25.8m, up from 9.8m and NZ$23.8m, was dominated by the off-market sale of 5m shares in Steel & Tube Holdings, accounting for 35 per cent of the total by value.

HONG KONG trading shrank to its thinnest level in two months as the Hang Seng index lost 15.42 to 2,691.38. Turnover fell from HK$658m to HK$498m, the lightest since the HK$449m of September 1.

TAIWAN came back from Wednesday's holiday with its vigour unimpaired. The weighted index, which rose 127.77 on Tuesday, added 199.94, or 2 per cent, finishing well above the 10,300 resistance level at 10,435.95.

Trading volume widened to 1.1bn shares valued at NT$156bn, compared with Tuesday's 787m and NT$112bn. The market welcomed newspaper reports that daily price fluctuation limits would not be widened to 10 per cent from 7 per cent before the year-end.

Madrid goes limp as elections approach

Only utility stocks are attracting consistent enthusiasm, writes Peter Bruce

INVESTORS do not often pay Socialist governments the compliment of being nervous before elections. In Spain's case, however, Mr Felipe Gonzalez's Socialist administration has become so closely identified with the country's economic success that the prospect of its losing its absolute majority in Parliament on Sunday is playing a large part in the Madrid *bolsa's* recent limp behaviour.

In truth, not even the worst case scenario is that bad. The most hostile and least reliable poll, published earlier this week in the new newspaper El Mundo, has the Socialists winning 168 seats compared with their present 184. The majority is secure at 176. Up to 10 seats under that would still be manageable for Mr Gonzalez, because he could relatively easily do a deal with either the main Basque or Catalan regional parties, or both.

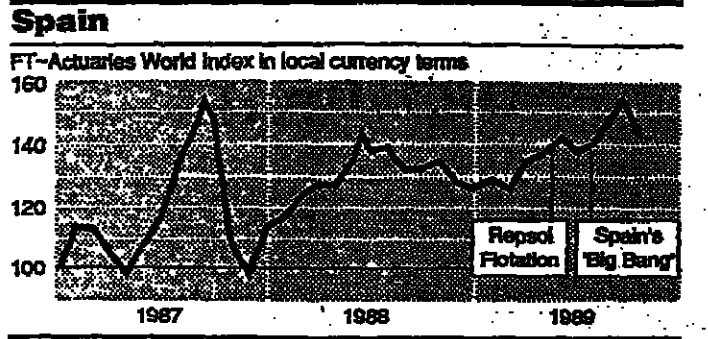
These are conservative groupings that might even agree not to take places in government in return for promises of greater investment or regional autonomy. Another factor is that Herri Batasuna, the political wing of ETA, the terrorist Basque movement, does not take its five seats in Parliament. It has pledged to do so in the next legislature, but it would be an unwelcome ally in attacks on the Government and might even strengthen Mr Gonzalez's hand.

The Socialists, who are superbly organised, will probably be able to bring out enough voters on Sunday to keep their majority, but it will be close. Mr Ignacio Gómez Montejo, chief analyst at Madrid brokers F&G, believes only a catastrophe will move the markets.

The *bolsa* is, anyway, operating at a slight discount following the recent worldwide falls. Also, the Government is expected to begin introducing tough fiscal and monetary measures after the elections to keep the economy cooling down. And interest rates are not falling as quickly as the Finance Ministry and market had hoped, because of bad inflation figures in September.

UBS Phillips & Drew in London is relatively sanguine about interest rate prospects after the elections, arguing that tighter fiscal policy will allow for some loosening of interest rates.

Spain



Be that as it may, the Spanish markets have performed indifferently this year. The Madrid general index has risen by only 12 per cent, against 17 per cent in the FT-Actuaries Europe index. The giant Repsol flotation in May left little room for other new entrants, which in the past have helped boost the market, and the approach of trading reforms introduced on July 29 made investors hesitant, although things perked up a little once they arrived.

"You have to remember that this market has grown by three times since 1986," says Mr Gomes at F&G. "This has not really been a bad year."

What is evident is that the banks, by far the biggest sector in the Madrid market, are for the moment not leading it. Their profits growth this year will be slow and Bank of Spain instructions that they limit credit in the last half of the year are hurting. Banco Santander, the most heavily capitalised bank on the market, has also broken ranks and started offering interest on current accounts, which, according to Phillips & Drew, will have a negative effect on the whole sector.

Even the star performers in 1989, the construction and cement companies, may begin to feel the Central Bank's credit pinch as the year ends and as housing starts fall off.

All of which leaves the electricity utilities prancing about on the stage alone. Last month's frenetic trading in utility shares was only partly prompted by hopes that these highly geared monsters would benefit from a fall in interest rates. The main impetus was a scramble among the banks to take positions that would help influence borrowing decisions before the next round of power plant construction.

For the most part, utility shares in Spain, like those of Telefónica and Repsol, are attractive because their markets are protected by the Government. That is unlikely to change after Sunday either.

EUROPE

Bids, cash calls and inflation divide opinion

A WEALTH of economic, corporate and political developments provided the stimulus to continental trading yesterday, *writes Our Markets Staff.*

PARIS had an eventful day in terms of corporate news, although Wall Street's sharp fall towards the French close wiped out speculative gains seen earlier in the day, and the OMF 50 index closed 2.65 lower at 498.85. Volume was thought to be better than Wednesday's FFr2bn at FFr2.5bn or above.

Investors in need of a new injection of acquisition fever had a wide choice – from the suspension of trading in Thomson-CSF, the defence and electronics group, and Crédit Lyonnais, the bank, to the continuing Paribas/Mixte saga. Paribas rose FFr17 to FFr627 as Mr Marc Fournier, chairman of Navigation Mixte, said that his board had rejected the takeover bid from Paribas and that he had asked for official clearance to take his stake in Paribas to more than 10 per cent, from nearly 5 per cent now.

Suez, meanwhile, closed FFr3 lower at FFr390 after climbing to FFr403 amid news that Banque Indosuez was to raise its stake in Morgan Grenfell, the UK merchant bank, to 24.8 per cent.

In the drinks sector, Pernod-Ricard was depressed by a disappointing 6.5 per cent rise in first half profits, and the stock fell FFr69 to FFr1,435. But Perrier rediscovered its sparkle with a rise of FFr67 to FFr2,011. There has long been talk of a takeover bid, but one theory has it that a friendly transfer of shares is taking place from the core Leven group to Exor, the holding company that owns more than 30 per cent of Perrier, in preparation for the retirement of Mr Gustave Leven, the chairman.

Pechiney, the aluminium group, was boosted FFr4.50 to FFr326.50 by news that it was selling its Paris headquarters for a much higher than expected FFr2.76bn.

Eurodisneyland shares made their debut in very active trading, starting at FFr81.95 and closing at FFr80.25 compared with an issue price of FFr72.

FRANKFURT followed Deutsche Bank, which gained DM28.50 early in the session on the news of its 10 per cent holdings in several large companies, including the insurance company, Allianz and the reinsurer, Munich Re.

The DAX index reached a peak of around 1,500 early in the day and the FAZ closed 5.26 higher at 630.02 at mid-session. The market then saw September inflation up to 3.7 per cent against under 3 per cent for the 12 months to August, and the DAX closed only 1.54 higher at 1,482.62.

Deutsche Bank's final DM12 gain to DM857 accounted for three points of the index, as it traded in volume far ahead of the rest of the active stocks, at DM343m; most other blue chip shares suffered small losses, as volume rose from DM3.5bn to DM3.7bn.

Two rights issues provided the contrast of the day. Preussag said that its offer, to raise up to DM1.5bn, would be priced between DM210 and DM240 a share against last night's price of DM301. Munich Re's is a relative tiddler, raising DM162.5m with a one-for-one at DM250 against Wednesday's closing price of DM2,170, and it expects to keep its dividend steady at DM10 a share.

Munich Re's terms, said a German analyst, look like a professional response to the weight of new issues which are expected to take nearly DM6bn out of the market over the next three months.

MILAN has its own inflation and rights issue problems, as the Italian monthly from Kleinwort Benson pointed out this week. However, it had more immediate concerns yesterday as a late rally was curtailed after hours, on reports that a tax decree giving Montedison a major tax break for its participation in Enimont had hit a snag in Parliament.

Montedison was fixed at L1,942, up L12, early in the session, and rose to L1,995 after hours before the news from Rome pushed it down to L1,965. The Comit index eased 1.54 to 644.07 in volume thought to be slightly higher than Wednesday's L250bn.

AMSTERDAM was in no mood to enjoy the good news from Philips, concentrating instead on Wall Street's weak morning performance and the disappointing results from ICI in the UK. The CBS tendency index came off 1.7 to 181.5 in low volume of Fl 600m.

Philips reported third quarter results that were at the top end of expectations, and this, together with its plan to float 20 per cent of PolyGram, its recording subsidiary, in an international sale in the next few weeks, lifted the share price Fl 1.30 to Fl 46.20. Turnover in Philips accounted for some 15 per cent of total turnover.

On the downside, chemical stocks were hit by concern about what ICI's figures might herald for their results, and Akzo shed Fl 2.10 to Fl 130.70.

ZURICH saw firmer banks as the Crédit Suisse index rose 2.7 to 612.9 in moderately active trading. Leu bearers rose SFr25 to SFr3,125 and CS Holding SFr15 to SFr2,430. Both banks reported continued good profit growth in the third quarter, and repeated earlier forecasts of a better full year.

Another bank, UBS, did its bit for the market with a 200 company Swiss survey expressing, in the main, an upbeat outlook for the fourth quarter of 1989 and the first half of next year.

STOCKHOLM was little changed after a cautious session, with SKF, the roller bearings maker, providing one of the few highlights after reporting a 78 per cent rise in nine-month profits. SKF gained SKr5 to SKr156.

The Affärsvärlden General index eased 0.2 to 1,245.4.

BRUSSELS declined in lacklustre trading, with the cash market index off 48.49 at 6,411.98. Thin volume saw some large price declines: Groupe AG, the insurer, lost BFr350 to BFr12,650.

SOUTH AFRICA

GOLD SHARES rallied in Johannesburg yesterday as the bullion price rose above $368 an ounce. Just before the close, the JSE Gold index had added 34 points, or 2.2 per cent, to 1,578. Vaal Reefs gained R11 to R325, Southvaal added R3 to R133 and Ofsil rose R4 to R88. The overall market was also higher.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 25 1989						TUESDAY OCTOBER 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.41	−0.3	134.87	125.77	−0.9	5.26	146.89	135.56	126.89	160.41	128.28	149.06
Austria (19)	160.32	−2.1	147.67	153.30	−2.2	1.59	163.79	151.16	156.76	172.22	92.64	95.42
Belgium (63)	141.87	−1.5	130.68	135.75	−1.5	4.07	144.03	132.92	137.82	144.48	125.58	129.93
Canada (122)	148.71	−0.1	136.98	126.53	+0.2	3.24	148.86	137.38	126.33	154.17	124.67	125.64
Denmark (36)	208.48	−0.9	192.04	203.17	−0.9	1.56	210.39	194.16	205.02	219.69	165.35	147.72
Finland (26)	124.74	−0.2	114.90	110.63	−0.3	2.55	124.99	115.35	110.98	159.16	123.12	126.05
France (126)	133.05	−0.7	122.56	130.50	−0.6	2.89	133.93	123.60	131.25	139.94	112.57	107.54
West Germany (97)	96.40	−2.0	88.80	92.24	−1.9	2.23	98.33	90.74	94.01	103.84	79.56	86.87
Hong Kong (48)	114.24	−0.8	105.23	114.50	−0.8	4.94	115.21	106.32	115.48	140.33	86.41	106.95
Ireland (17)	162.76	−0.6	149.93	158.66	−0.5	2.79	163.67	151.05	159.49	166.59	125.00	141.77
Italy (97)	87.19	−1.0	80.32	87.89	−1.1	2.80	88.08	81.29	88.90	96.73	74.97	83.96
Japan (455)	186.77	−0.3	172.04	167.17	−0.2	0.48	187.28	172.84	167.57	200.11	164.22	171.03
Malaysia (36)	199.41	−1.7	183.68	206.67	−1.7	2.57	202.89	187.24	210.31	209.22	143.35	140.71
Mexico (13)	320.11	−1.8	294.87	916.62	−1.7	0.57	325.94	300.80	932.60	326.61	153.32	156.62
Netherland (43)	126.67	+0.2	116.68	120.13	+0.3	4.41	126.40	116.65	119.82	131.72	110.63	110.69
New Zealand (19)	76.07	−2.3	70.07	68.19	−2.6	5.18	77.89	71.88	70.00	88.18	62.64	74.69
Norway (24)	170.88	−2.4	157.41	159.46	−2.5	1.63	175.10	161.59	163.57	198.39	139.92	117.71
Singapore (26)	156.33	−2.2	144.01	140.92	−2.2	2.10	159.82	147.50	144.14	170.62	124.57	122.55
South Africa (60)	144.54	+0.4	133.15	125.88	+0.6	4.50	143.94	132.84	125.10	160.24	115.35	110.18
Spain (43)	158.84	−1.0	146.32	141.27	−0.9	3.73	160.46	148.09	142.59	169.75	143.14	150.90
Sweden (35)	176.57	−1.3	162.64	167.16	−1.3	2.05	178.84	165.04	169.31	188.94	136.45	128.73
Switzerland (64)	86.68	−1.5	79.84	86.60	−1.5	2.18	87.99	81.20	87.93	94.16	67.81	84.48
United Kingdom (306)	142.50	+0.7	131.26	131.26	+0.5	4.63	141.46	130.54	130.54	158.41	133.28	136.31
USA (547)	139.13	−0.3	128.16	139.13	−0.3	3.32	139.58	128.81	139.56	146.29	112.19	114.64
Europe (996)	124.57	−0.4	114.75	117.46	−0.4	3.58	125.04	115.40	117.97	132.95	112.63	113.74
Nordic (121)	166.99	−1.2	153.82	153.39	−1.2	1.86	168.97	155.94	155.24	178.38	137.95	124.82
Pacific Basin (669)	182.40	−0.3	168.02	163.44	−0.3	0.72	182.96	168.85	163.92	194.72	160.44	167.56
Euro–Pacific (1665)	159.35	−0.3	146.78	145.05	−0.3	1.63	159.87	147.54	145.53	166.98	141.56	146.06
North America (669)	139.60	−0.3	128.59	136.34	−0.3	3.31	140.04	129.23	136.75	146.66	112.79	115.22
Europe Ex. UK (690)	112.70	−1.1	103.81	108.88	−1.1	2.84	113.98	105.20	110.10	118.51	96.30	99.53
Pacific Ex. Japan (214)	130.03	−0.8	119.78	117.11	−1.1	4.83	131.06	120.95	118.42	140.05	111.93	125.71
World Ex. US (1860)	158.94	−0.3	146.41	144.49	−0.3	1.71	159.44	147.15	144.94	166.35	141.49	145.00
World Ex. UK (2101)	151.65	−0.4	139.69	143.74	−0.4	2.00	152.28	140.53	144.32	156.04	136.98	132.96
World Ex. So. Af. (2347)	150.95	−0.3	138.96	142.88	−0.3	2.21	151.34	139.66	143.15	155.92	136.67	133.38
World Ex. Japan (1952)	133.78	−0.3	123.23	130.01	−0.4	3.48	134.24	123.89	130.49	140.43	114.51	115.14
The World Index (2407)	150.81	−0.3	138.92	142.57	−0.3	2.23	151.29	139.62	143.02	155.89	136.68	133.24

Latest prices were unavailable for this edition.